



iLAND Resilience
Promoting a Climate of Change
OECS/GCCA/2016/SER_50

**Technical Assistance for the Development of a Climate Change Trust Fund
Operational Manual – British Virgin Islands**

CCTF Operational Manual

Final Version

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Abbreviations and Acronyms

ABC	Anti-Bribery and Corruption
AEC	Audit and Ethics Committee
AFC	Anti-Financial Crime
AML	Anti-Money Laundering
ATF	Anti-Terrorist Financing
CA	communications assistant
CAE	Chief Audit Executive
CBF	Caribbean Biodiversity Fund
CCTF	Climate Change Trust Fund
CEO	Chief Executive Officer
COP	Conference of Parties
CO2	carbon dioxide
CSO	civil society organization
CTF	Counter Terrorism Financing
DAE	Direct Access Entity
Des	designer
EE	energy efficiency
EMS	environmental management system
Eol	expression of interest
ESIA	environmental and social impact assessment
ESMS	environmental and social management and safeguards system
ESS	environmental and social safeguards
EUR	Euro (currency)
FAQs	frequently asked questions
FPIC	free, prior and informed consent
GCF	Green Climate Fund
GoVI	Government of Virgin Islands
GHG	greenhouse gas
HR	human resources
IA	Internal Audit
IAE	International Access Entity
IAU	Internal Audit Unit
ICT	information and communication technology
IEU	Independent Evaluation Unit
IFC	International Finance Corporation
IIU	Independent Integrity Unit
IPP	indigenous peoples plan
IT	information technology
KYIP	Know Your Implementing Partners
M&E	Monitoring and evaluation
mln	Million
NAMA	nationally appropriate mitigation actions
NGO	non-governmental organization
NIE	National Implementing Entity
ODI	Overseas Development Institute
OM	Operational Manual
PAF	project application form
PCM	project cycle management
PIF	project identification form
PR	public relations
Q&A	question and answer
RSS	"Really Simple Syndication" or "Rich Site Summary", a family of web feed formats
SARs	Suspicious Activity Reports
SME	small and medium sized enterprise
STRs	Suspicious Transaction Reports
TOR	Terms of Reference
UK	United Kingdom
VI	Virgin Islands

Introductory comments

This Operational Manual (OM) was elaborated based on the Consultant's terms of reference (TOR) which are included in the second draft version of the OM, along with explanations on changes to the TOR that have been agreed during the course of the project.

The present, final version of the OM includes changes required by the Fund Board as communicated to the Consultant on 18 and 25 August, 2017 and following the agreed training on the implementation of the OM on 10th and 13th February, 2018.

Compared to the the second draft version, the final version of the OM includes a shorter, initial OM that should allow for immediate operationalization of the Fund and overheads minimization. This short OM version is followed by additional sections that can be finalised and adopted at a later stage, allowing the Fund to eventually achieve a Direct Access Entity (DAE) accreditation with the Green Climate Fund (GCF).

Operational Manual

for the Virgin Islands Climate Change Trust Fund (CCTF)

1. Governance

1.1. Fund Legislation

The present Operational Manual (OM) is based on the Virgin Islands Climate Change Trust Fund Act 2015 (Nr. 12 of 2015) and other applicable laws and regulations.

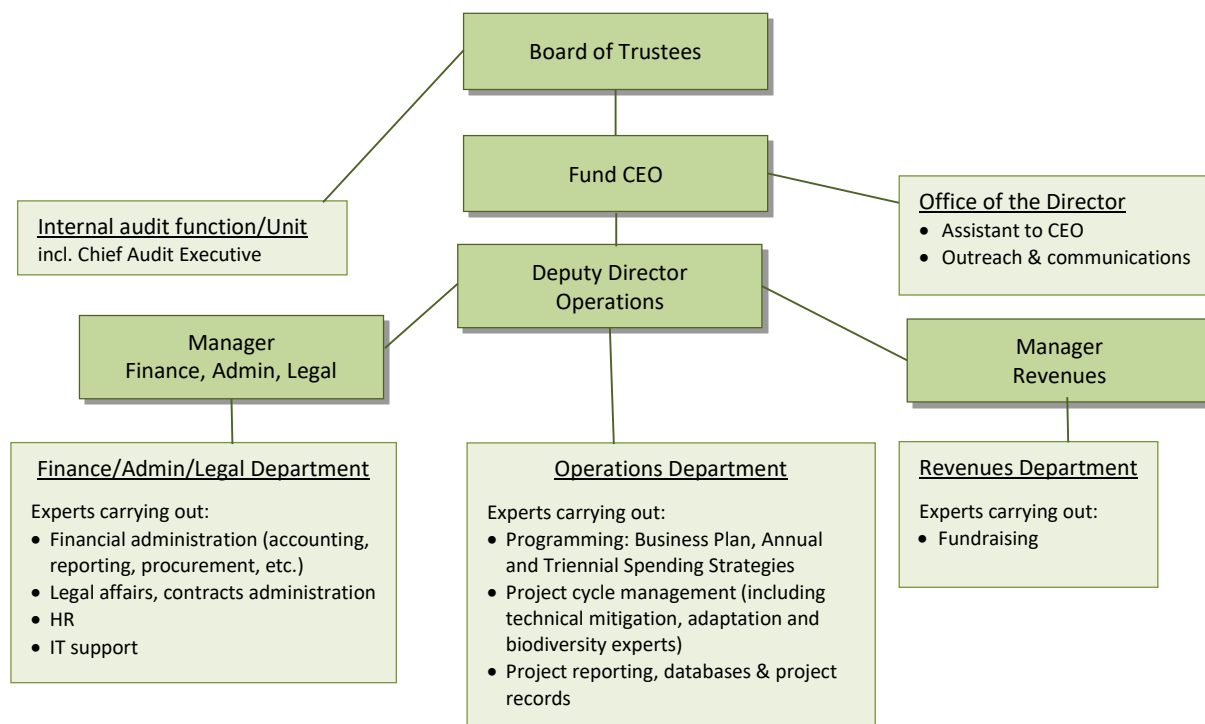
1.2. Good International Practice

On a regular basis, the Climate Change Trust Fund (hereinafter: “the Fund”, or, the “CCTF”) shall become informed about, and actively participate in, relevant international discussions dedicated to advancing knowledge and the application of good international practice in managing public expenditure in the areas of climate change, environment and biodiversity. As appropriate, the Fund shall integrate relevant new knowledge and practice into its own operational management systems and procedures.

1.3. Organizational Structure of the Fund

In line with the requirements of the Fund Act and the present Operational Manual, the Fund shall have the following organisational structure:

Figure 1.1: Organisational structure of the Fund



1.4. Terms of Reference for the Board

The Board shall perform the tasks defined by the Fund Act, the present Fund Operational Manual and other regulations that may apply. The Board's rights and responsibilities include in particular:

- a) Considers and makes proposals to the Government of the Virgin Islands regarding amendments to the Fund Act;
- b) Approves and adopts the Fund Operational Manual and any amendments thereto by a 2/3 vote of the Board.;
- c) Determines and supervises the implementation of the Fund's policies concerning, inter alia, strategic planning, project cycle management, outreach & communications;
- d) Considers proposals put forward by the Fund CEO for the determination of contributions and other sources of income, and submits these, if necessary, for the eventual decision and enactment of the responsible authority;
- e) Examines and approves funding and other proposals put forward by the Fund CEO;
- f) Makes final decisions regarding the award of grants or other forms of support proposed by the Fund CEO;
- g) Responds to the internal audit function and reviews external audits;
- h) Makes resolutions on other issues that may be put forward by the Fund CEO;
- i) Reviews and approves operational programs, plans and budgets, annual reports and other types of routine reports submitted by the Fund CEO;
- j) Selects and appoints the Fund CEO, through a public, open job vacancy announcement procedure;
- k) Dismisses the Fund CEO;
- l) Determines the duties, responsibilities and remuneration of the Fund CEO;
- m) Upon the proposal of the Fund CEO, appoints or dismisses senior management staff of the Fund.
- n) Approves the Fund's Human Resources Policy, including basic terms and conditions of employment contracts used by the Fund, including the structure and salaries of employees;
- o) Approves the annual and periodic financial reports on the Fund activities;
- p) Approves the annual budget of the Fund.

The Chairperson of the Board shall perform his/her tasks and responsibilities without any interference from other positions held by him/her. The Chairperson of the Board shall:

- a) Represent the Fund before state institutions, other institutions and third parties;
- b) Convene sessions of the Board;
- c) Manage the activities of the Board and be responsible for its compliance with the Fund Act and the present Operational Manual;
- d) Lead the sessions of the Board;
- e) Invite experts that are not Board members to attend sessions of the Board, if the Board is considering issues requiring specific external expertise or knowledge;
- f) Submit all relevant reports to the Fund's authorities and stakeholders;
- g) Delegate to other members of the Board as appropriate the performance of certain activities that are within his or her competence and responsibility.

1.5. Terms of Reference of the CEO and Secretariat of the Fund

The Fund CEO shall perform the tasks defined by the Fund Act, the present Operational Manual and any other applicable regulation. His or her rights and responsibilities include inter alia:

- a) Ensuring compliance of Fund operations with the Fund Act, the present Fund Operational Manual and other applicable regulation and policy and act as the legal representative of the Fund;
- b) Executing decisions of the Board;
- c) Directing the day-to-day management and administration of the Fund;
- d) Preparing and implementing operational rules, procedures and instructions as set out in the Fund Act, OM, Board decisions and applicable legislation;
- e) Preparing operational programs, plans and budgets, annual reports and other types of routine report;
- f) Executing operational programs and plans;
- g) Making proposals for the determination of contributions and other revenues for the consideration and eventual decision of the Board;
- h) Within the scope of the applicable regulations, managing the collection of revenues legally due to the Fund;
- i) Negotiating and concluding agreements with domestic and international providers of financial resources, subject to the approval of the Board and, as may be required, the Government of the Virgin Islands;
- j) Administering project identification, appraisal and selection;
- k) Preparing documentation and recommendations on applications or requests for support, for submission to the Board;
- l) Concluding project award contracts for projects approved by the Board;
- m) Monitoring of supported projects under implementation, and ensuring their proper and timely completion in accordance with the agreed terms and conditions;
- n) Administration, financial management and accounting;
- o) Making proposals for the appointment and dismissal of senior management staff for the consideration and decision of the Board;
- p) Appointing and dismissing Fund staff, except for those staff positions requiring a decision of the Board;
- q) In coordination with the chairperson of the Board, external representation and presentation of the Fund;
- r) Marketing and promotion of the Fund;
- s) External communications and public relations;
- t) Performing any other tasks defined by the Fund Act, the present Operational Manual, Board decisions and any other applicable regulation.

The Fund CEO reports to the Board and directly supervises the Fund Deputy Director (Operations), the Financial, Administration and Legal Manager, the Revenues Manager, the External Relations Officer and the assistants to the CEO.

The Fund CEO shall ensure that all Fund employees are aware of, understand and apply the Fund Act and the present Fund Operational Manual, as well as the Fund's Spending Strategy, Annual Operating Plan, Business Plan and other relevant documents resulting from the implementation of the present Operational Manual. Each Fund employee shall receive a personal copy of these documents.

There shall be no restrictions for a Fund CEO whose term of office has expired to reapply for another term of office.

The Fund CEO may be relieved of his/her duties before the expiration of his/her regular office term if he/she:

- a) Resigns from the mandate;
- b) Fails to perform the duties as a Fund CEO as stipulated by the Fund Act, the present Fund Operational Manual and other applicable regulation and policy;
- c) Exhibits behaviour that prejudices or damages the reputation of the Fund;
- d) Assumes or holds other positions which are incompatible with the position of Fund CEO, the Fund's purpose or the Fund's objectives;
- e) Is convicted by a court of law of a criminal offence, or by being declared bankrupt or insane.

Decisions on the relief of the Fund CEO of his / her duties shall be issued by the Board.

The Fund CEO shall have a Deputy. The Deputy Director of the Fund reports to the Fund CEO and directly supervises the staff of the Operations Department. The Deputy Director of the Fund shall deputize for the Fund CEO in his/her absence, support the CEO on an ongoing basis in the execution of his/her duties and manage and supervise the activities of the Operations Department in accordance with the Fund Act, the present Operational Manual and other applicable rules and procedures of the Fund, including but not limited to:

- a) Preparation of operational programmes / plans and related budgets, relevant inputs to annual reports and other types of routine operational reports;
- b) Project Cycle Management, namely:
 - Project identification, including identification through calls for projects;
 - Project screening;
 - Project preparation;
 - Project appraisal and selection;
 - Negotiation and conclusion of contracts for support (and where necessary agreements with project co-financiers);
 - Monitoring, supervision and control of project implementation (and where necessary the procurement of works, goods and services in respect of projects for which the Fund is providing support);
 - Assessment of project results and performance;
 - Throughout the project cycle: assessment and mitigation of project risks;
 - Development and maintenance of operational systems and databases;
 - Preparation and implementation of standardized pro-forma operational documentation;
 - Maintenance and storage of comprehensive operational records;
 - Procuring / supervising operational advisory and support services, as required.

In addition to an Operations Department managed by the Fund Deputy Director, the Fund shall also have an Office of the CEO, a Department for Finance, Administration and Legal Issues, and a Revenues Department.

The Office of the CEO shall be supervised by the Fund CEO and be in charge of the following tasks, inter alia: public relations and external communications (domestic and international); Fund marketing and promotion, including development of promotional materials and a dedicated interactive website; provision of administrative support and secretarial services to the Fund CEO and, as may be required, the Deputy Director.

The Department for Finance, Administration and Legal Issues shall be managed and supervised by a Finance and Administration Manager and be in charge of the following tasks, inter alia: preparation of financial plans and budgets; accounting; financial administration and reporting, including preparation and application of standardized pro-forma financial and administrative documentation; arranging and supporting internal and external audits; other financial management as required by

the Fund Act and the present Operational Manual, legal affairs; contracts administration; personnel administration; IT systems and support services.

The Revenues Department shall be managed and supervised by a Revenues Manager and be in charge of the following tasks, inter alia: Fundraising, collection of revenues due to the Fund.

A close working relationship and open lines of communication shall be maintained between all the departments/offices of the organization.

Employees of the Fund shall consist of the Fund CEO, the Fund Deputy Director, the Finance and Administration Manager, the Revenues Manager and other personnel. All Fund employees shall be hired by the Fund under contracts of employment signed by the Fund CEO, except for employment contracts of the Fund CEO, Deputy Director, Finance, Administration and Legal Manager, Revenues Manager and Head of Internal Audit, which shall be signed by the Board Chairperson. The creation, existence and termination of legal relationships between the Fund and its employees shall be regulated by relevant domestic legislation.

The staff positions, job descriptions and salaries of the Fund employees are proposed by the Fund CEO and determined by the Board in line with the provisions of the Fund Act, the present Operational Manual or other applicable regulatory documents of the Fund.

The Fund CEO; Deputy Director; Finance, Administration and Legal Manager; Revenues Manager; and Head of Internal Audit are selected and appointed through a competitive, open, public job vacancy procedure organized by the Fund Board, including one round of personal interviews of shortlisted applicants. Vacancies shall be announced on the Fund's website and published in at least two major, national daily newspapers. Applicants shall be granted at least four weeks' notice to apply. Applicants shall be provided with a detailed job description for the respective position. The interviews shall be carried out by a three-member panel composed of the Chairperson and two members of the Board appointed by Board decision. The results from all interviews shall be summarized in a protocol signed by all members of the panel. A member may have a dissenting opinion that is attached to the protocol. The Fund CEO, Deputy Director, Finance, Administration and Legal Manager, Revenues Manager and Head of Internal Audit shall be hired for an initial six-month probationary period. If performance during the probationary period is satisfactory, the Fund CEO, Deputy Director, Finance, Administration and Legal Manager, Revenues Manager and Head of Internal Audit shall be hired for a period of three years, and be eligible for re-appointment, if otherwise qualified.

All other employees of the Fund are selected and appointed through a competitive, public job vacancy procedure organized by the Fund CEO, including one round of personal interviews of shortlisted applicants. Vacancies shall be announced on the Fund's website and published in at least two major, national daily newspapers. Applicants shall be granted at least two weeks' notice to apply. Applicants shall be provided with a detailed job description for the respective position. The interviews shall be carried out by a three-member panel composed of 1) the Fund CEO, 2) his/her Deputy and 3) the Head of the Finance and Administration Department. The results from all interviews shall be summarized in a protocol signed by all members of the panel. A member may have a dissenting opinion that is attached to the protocol. All employees shall be hired for an initial three-month probationary period. If an employee's performance during the probationary period is satisfactory, he or she shall be hired by the Fund for an indefinite period.

The salary of the Fund CEO, Deputy Director, Finance, Administration and Legal Manager, Revenues Manager and Head of Internal Audit shall be determined by the Board. The salaries for all other Fund

employees shall be determined by the Board following a proposal by the Fund CEO to the Board. The salaries of Fund employees shall be determined, taking into account salaries typically paid for comparable positions in similar institutions established in the Virgin Islands or the Caribbean and in compliance with the provisions of the Fund Act and the present Operational Manual.

Employees of the Fund have the right and the responsibility to act in an environmentally and socially responsible manner within their regular duties.

The Fund may contract, if necessary, short term, external experts for the completion of certain outsourced expert assignments. The work relationships arising in such cases shall be regulated by the Laws of the Virgin Islands and recruitment will be done in line with procurement policy and practice of the Virgin Islands.

2. Business Plan and Medium-Long Term Investment Strategy

The Fund should be seen as a financial instrument; it is intended to help finance various actions, measures and investments that contribute positively to the achievement of established government policy objectives. It therefore must interpret these objectives and translate them into concrete efforts to be financed by the Fund. Given that existing policies and related objectives are quite extensive (a reflection of the needs) and the Fund's resources limited, this suggests that the Fund should be selective in deciding where and how it will spend the available resources. The Fund will probably not be able to support all worthy and needed activities and should be careful not to foster expectations that it can. Within the potentially wide range of worthy and needed activities, the Fund should consider assessing and formulating its spending priorities for the immediate year, i.e. the Annual Operating Plan, and for a longer period, i.e. a Medium-Long Term Investment Strategy.

As an overarching strategic planning tool, the Fund will also elaborate, adopt and implement Business Plans.

Requirements for Fund Business Plans, Medium-Long Term Investment Strategies and Annual Operating Plans are detailed in sections 2.1 – 2.3 below.

2.1. Business Plan

In line with the Virgin Islands Climate Change Trust Fund Act 2015 (Nr. 12 of 2015), an initial Fund Business Plan needs to be delivered by the Board to the Minister to whom responsibility for climate change is assigned. The duration of Fund Business Plans will be 5 years, but the Board can prepare Business Plans also at more frequent intervals than 5 years. Further, the Act specifies that Fund Business Plans need to specify the following:

- a. viable fundraising options for the Trust, taking into consideration options presented in the Virgin Islands Climate Change Adaptation Policy on financing options;
- b. activities to be undertaken to mobilize funds for the Trust;
- c. proposed investment policy and strategy in order to generate long-term sustainable financing for carrying out the objectives of the Fund;
- d. projected flow of funds that will accrue to the Trust;
- e. the strategy that the Trust proposes to adopt for the following five years to further its objectives;

- f. the annual budget required for the following five years for the Trust to carry out its objectives;
- g. the strategy for efficiently utilizing the funds of the Trust;
- h. the criteria that the Trust will meet when entering funding agreements and parameters for accepting funding;
- i. the performance indicators by which the Trust's achievement of its objectives are to be measured;
- j. the remuneration and allowances, if any, to be paid to the members of the Board, the Secretariat and the Review Committee.

The Act specifies further that Business Plans need to be consistent with the evolving funding priorities based on the Virgin Islands Climate Change Adaptation Policy and any national energy policy that may be approved; and, with established criteria to ensure that the funds of the Trust are effectively distributed in a coordinated approach to achieve low-carbon, climate-resilient development within the Territory.

From the above list, points (d) - (g) and (i) shall be further elaborated and detailed in the Fund's Medium-Long Term Investment Strategy as per requirements detailed in section 2.2 of the present Operational Manual.

Unlike the Fund's Business Plan which needs to be updated every five years, the Fund's Medium-Long Term Investment Strategy shall be updated every two or three years as outlined below.

2018: Adoption of the First Business Plan, covering five years, 2018-2022;

2018: Adoption of the First Medium-Long Term Investment Strategy, covering three years, 2018-2020;

2020: Adoption of the Second Medium-Long Term Investment Strategy, covering two years, 2021-2022;

2023: Adoption of the Second Business Plan for the 5-year period 2023-2027;

2023: Adoption of the Third Medium-Long Term Investment Strategy, covering three years, 2023-2025;

2025: Adoption of the Fourth Medium-Long Term Investment Strategy, covering two years, 2026-2027;

2028: Adoption of the Third Business Plan for the 5-year period 2028-2032;

Etc.

2.2. Medium-Long Term Investment Strategy

The basic goal of the Fund's Medium-Long Term Investment Strategy (hereinafter: the "Spending Strategy") is to identify and describe the priority issues it intends to address and the types of projects and activities it intends to support, as well as eligible applicants. It should be emphasized that the Fund's spending strategy is not a substitute for other existing climate change strategies and

strategies in other areas (e.g., biodiversity); rather, it defines the role of the Fund in implementing these policies. Such a Spending Strategy is useful in order to:

- Ensure a sustainable framework for the operations of the Fund;
- Openly demonstrate how the Fund plans to achieve those objectives that cannot be fully achieved within a single year;
- Allow for financial planning by the Fund and co-financiers of Fund supported projects;
- Ensure applicants' confidence in the continuity and continuous development of the Fund's policy; and
- Clearly define, and thereby strengthen, the role of the Fund vis-à-vis other policy tools in pursuing sustainability/environmental/climate change objectives.

The Fund's spending strategy constitutes the link between relevant adopted policy objectives (e.g., in the areas of climate changes, environment, disaster management, economic development) and the annual operating plan of the Fund. The strategy should guide the development of the Fund's Annual Operating Plan, and provide revenue estimates and indicative spending targets (e.g. in % terms) for different types of projects according to defined priority spending areas. The Strategy should be seen as an evolving instrument. The Strategy covers a rolling time period of three years and implementation progress should be reviewed periodically, as part of the Fund's Annual Reports (see section 6.2 of the present Operational Manual).

Whenever possible, the Fund's Spending Strategy shall be based on the findings of market and/or sector studies, which have established the demand for Fund finance, including types and size of projects, types of applicants, types of technologies and works that would be needed in a given sector in order to implement sector policies, as well as existing and expected supply of finance from different sources. If such studies are absent, the Fund may engage in financing the elaboration of such studies.

The role of the Fund in implementing established policy, its credibility among beneficiaries and possible co-financiers, and its acceptability by entities whose payments capitalize the Fund is likely to be strengthened if the formulation of the Fund's Spending Strategy (and Annual Operating Plan) is perceived by these key stakeholders as being clearly linked to established policy objectives, in a systematic and transparent manner. All interest groups should have access to information on how the Fund's revenues are generated and spent, as detailed below. The Fund's Spending Strategy and Annual Operating Plans should be made available to all interested parties, and especially to the Fund's key stakeholders, for example through inclusion in the Fund's interactive website, annual report and upon request.

Prior to adoption, the Board can decide to have the draft Spending Strategy discussed and commented on by relevant stakeholders, including the Review Committee.

The long-term perspective of this Strategy requires effective coordination between the financing needs/demands of the Fund and the availability of the resources as envisaged in the same perspective by domestic and foreign contributors to the Fund.

Information to be included in the Triennial Spending Strategy

a) Fund purpose and organization

This section should provide for summary information on the Fund purpose and basic organization (legal status, organizational structure, reference to Fund legislation).

b) Policies influencing the Spending Strategy of the Fund

This section should include a table with policy that guides the Fund's Spending Strategy. Spending areas should correspond to those stipulated in Fund legislation and could be summarized as follows:

Table 2.1: Presentation of policies influencing the Spending Strategy of the Fund

Spending area	Policy established at national level	Policy established at international level
Climate change mitigation	⇒ list relevant policy	⇒ list relevant policy
Climate change adaptation	⇒ list relevant policy	⇒ list relevant policy
Disaster (risk) reduction, management and relief*	⇒ list relevant policy	⇒ list relevant policy
Capacity building, education, research and awareness raising related to above areas	⇒ list relevant policy	⇒ list relevant policy
Other relevant policy areas (if applicable, e.g., nature and biodiversity protection)	⇒ list relevant policy	⇒ list relevant policy

* Disaster relief is not an ongoing priority but in the event of a disaster, the Board reserves the right to funnel some of the Trust Fund's resources to relief in the manner decided on by the Board at the time.

In the digital edition of the Fund's Triennial Spending Strategy, Internet links to each policy listed should be included.

Eventually, the Fund's Spending Strategies should be compatible with all policy documents listed in the above table and should contribute to catalysing the implementation of selected policy goals. Of course, if capitalization allows for and the Board considers appropriate, the Fund's Spending Strategy can also be more ambitious than relevant policy goals.

c) Spending priorities

This section should define the time period covered by the Strategy as well as the Fund's priorities which should of course reflect the objectives established in relevant international and national policy. The Triennial Spending Strategy should present resource allocation targets of the Fund and

show how these targets relate to meeting the Fund's longer-term objectives. The Annual Operating Plan would define objectives in more detail and show more precise resource allocation estimates for the coming year. Resource allocation targets shall be shown by sector / priority spending area. These can be indicated as a percentage or as absolute values of an annual spending budget. Publicizing the Fund's intended spending allocation across different sectors / priority spending areas serves two main purposes:

- It provides an explicit link between the established policy objectives and the Fund's spending priorities.
- It provides an opportunity for the Fund to inform potential applicants and other interested parties about practical aspects of the Fund's operations. This transparency is useful because it can help to foster greater acceptability of, and support for, the Fund. It also assists potential applicants in a very first screening of their project ideas, thus reducing the number of applications which are clearly outside the scope of planned Fund spending activities for the current or coming years.

With regard to spending on new projects, both the Spending Strategy and Annual Operating Plan should define spending categories, not specific individual projects. The Operating Plan should also define guiding budget targets for each of these categories. The resources allocated to each category will ideally be sufficiently large to allow funding of a number of projects (not just one or two) within this category and sufficiently narrow for the projects within each category to be appraised such that appraisal results of different projects remains comparable.

An illustration of indicative spending targets, sub-divided into investment and non-investment projects, is provided in the table below.

Table 2.2: Indicative spending targets for priority areas

Indicative spending targets for priority areas (percentages shown for illustrative purposes only)				
	Priority Areas			
	1. Climate change mitigation	2. Climate change adaptation	3. Disaster (risk) management	4. Capacity development, education, research, awareness
Overall spending target	20%	50%	20%	10%
of which: investment projects	19%	48%	18%	5%
of which: non-investment projects	1%	2%	2%	5%

The Fund should make a broad distinction between investment or "hard" projects and non-investment or "soft" projects. "Hard" projects involve the construction or supply of capital assets such as buildings, infrastructure (including "green" infrastructure), technologies, equipment, coral nurseries, etc., whereas "soft" projects relate to activities such as training, public awareness campaigns, studies, research, etc. The majority of the Fund's resources should be allocated for financing investment projects as illustrated in the table above and in line with Fund legislation. In line with the Trust Fund Act, Fund support to non-investment or "soft" projects is normally confined to:

- Studies to assess the feasibility of, to assess environmental and social impacts of, and / or other relevant studies needed to prepare an investment project for subsequent financing by the Fund (provided that the Board approved such support following the approval of a related project concept).
- Research needed to better formulate current or potential future Fund spending programmes.
- Activities aimed at encouraging and structuring private and NGO sector participation in investment projects for subsequent financing by the Fund.
- Support capacity building, education, research and studies related to the incremental costs of climate change.
- Raise public knowledge, appreciation and understanding of climate change impacts affecting the Territory.
- Support measures related to disaster risk reduction and response to natural disasters associated with climate change (note: both “hard” and “soft” projects possible).
- Support actions to build ecosystem resilience (note: both “hard” and “soft” projects possible).
- Provide disaster relief (note: both “hard” and “soft” projects possible).

The indicative spending allocations will need to be reviewed and adjusted in the light of experience, particularly as the Fund may initially need to allocate more resources to non-investment activities in order to develop a "pipeline" of well-prepared investment projects suitable for subsequent financing.

The Spending Strategy should also contain a list of eligible subsectors of each priority spending area (in the Annual Operational Plan, information on eligible subsectors would be more detailed and specific as compared to the Triennial Spending Strategy).

In the climate change spending area, possible subsectors could include, in line with Green Climate Fund priorities (of course also differing and possibly more detailed subsectors could be formulated, e.g. in line with the functions of the Fund as mentioned in the Trust Fund Act):

Mitigation

1. Energy access and power generation
2. Low-emission transport
3. Buildings, cities and industries and appliances
4. Forestry and land use

Adaptation

5. Most vulnerable people and communities
6. Health and well-being, and food and water security
7. Infrastructure and built environment (including tangible cultural heritage such as historic sites)
8. Ecosystem and ecosystem services

In the education, research, awareness spending area, possible subsectors could directly relate to the 8 sub-areas mentioned above.

d) Basic Financing Principles

This section should explain, as general advice to the guiding principles underlying the spending strategy, that the Fund applies the following basic financing principles/policies:

- Principles of objectivity, accountability, transparency and cost-effectiveness;
- Additionality, leveraging and co-financing (co-financing can be from project proponents and others, and, as feasible);
- Maximum award limits;
- Eligibility criteria and financing terms and conditions according to project type and type of project proponent (enterprise, municipal administration, non-profit organization, etc.).

As regards the principles of objectivity, accountability, transparency and cost-effectiveness, it should be noted that the financial resources being administered and disbursed by the Fund are public, and therefore there is the rightful expectation that these resources will be managed in such a way as to promote the public interest to the greatest extent possible. This implies that:

- Decisions affecting the allocation of public funds are based on sound and accepted criteria as included in the Fund OM;
- It is clearly defined which people and institutions are involved in the decision-making process, what their individual roles and responsibilities are and that they can be held accountable for their decisions and actions (as defined in the Fund OM, e.g., sections on business planning and spending strategy, project cycle management, environmental and social safeguards, outreach and communications, financial management and gender);
- The decision-making process itself is transparent i.e. that it is understood by those outside of the process and open to scrutiny by government bodies and the public at large;
- Resources are allocated in such a manner as to maximize the positive effects of each unit of money spent (i.e. that the money is spent in the most cost-effective manner possible).

As regards additionality, leveraging and co-financing, it should be noted that the principles are closely related and can help the Fund maximize its positive impact for each unit of financial support provided. The Fund should strive for additionality by limiting (or completely withholding) its support for projects that can be financed from other sources. In other words, the Fund's financial support should be additional to other available sources of finance (including those that could be provided by the project applicant, even as in-kind contributions), and not a replacement for them. The Fund should actively leverage its resources by keeping its financial support for any given project to the minimum necessary to ensure implementation of the project. This assumes that the Fund will function, whenever possible, as a co-financier of projects, and will work diligently to engage the financial support of other sources of finance. Examples include:

- The Fund offers grants to reduce interest payments of commercial loans (soft loans);
- The Fund offers grants to cover fully interest payments of commercial loans (interest free loans);

- The Fund offers grants to reduce the cost of insurance products to beneficiaries;
- The Fund offers grants for equity to form new or support existing companies;
- Etc.

The extent to which the Fund can make its financial support additional and leverage other sources of finance will depend on a number of factors, including:

- The size and availability of other financing sources;
- The types of projects and issues addressed by the Fund; and
- The expertise of the Fund staff and broader credibility of the Fund as a financing institution.

Of course, project opportunities may arise where there are no, or only very limited, alternative sources of finance. Given this, the Fund should carefully consider how high a priority each individual project is vis-à-vis the Fund's spending priorities, and as evaluated against the Fund's eligibility and appraisal criteria. If the project is considered an extremely high priority, then the Fund may justify playing a major role in financing the project. Even in such cases, however, the Fund should require the applicant to invest a minimum level of own resources into the project (including in-kind contributions). Such an investment is the surest guarantee of the applicant's commitment to successful and efficient implementation of the project. The minimum level should be set sufficiently high to ensure the applicant's commitment and may generally be differentiated according to type of applicant. For example, profit-making enterprises may be required to contribute a higher share of own resources than non-profit organizations, such as NGOs or small communities.

The Fund should be reasonably frugal with its financial support. One way the Fund will achieve this is to set limits on the maximum size of any single award of financial support offered by the Fund in its Business Plan / Spending Strategy. For example, the Fund could adopt a rule that the maximum amount of financial support a single project can receive is a certain percentage, say 5%, of total expected disposable revenues for that budget year. Of course, the percentage limit could be set higher or lower, or the limit could be set as an absolute amount. Exceptions could be made for large projects, funded fully or co-financed by foreign partners. Note that according to the Fund Act, section 36(d), "upper funding limits shall be established for any single award and these may vary by recipient and activity type".

The advantage of such a rule is that both the Fund and applicants know in advance (at the beginning of the budget year) the maximum amount of money any single project can receive and that no single project will consume a disproportionate share of the Fund's disposable resources. The disadvantage of such a rule is that the Fund may, in the course of project appraisal, discover a project that offers very substantial benefits but which also requires very substantial financial support in order to be implemented. The Fund could be prepared for such eventualities by providing for an "exception to the rule", whereby a larger maximum award could be offered under certain circumstances (which should be pre-defined) and with the special approval of the Fund's Board.

Another way of stretching resources and ensuring that the Fund is not spending any more money than necessary on any single project is to establish maximum awards according to type of project and/or type of applicant. They should be set, and made clear to all potential applicants, at the beginning of the budget year. A common approach for distinguishing between types of projects is to use priority spending areas or even sub-areas within each priority spending area.

Similarly, the Fund should distinguish between types of applicants. For example, applicants who operate commercial enterprises and / or whose projects generate a revenue stream are generally expected to cover a higher proportion of total project costs from their own resources (at least when they are applying for grant support), whereas non-commercial applicants, such as NGOs, research institutions and government, may be allowed to request a larger share of the total project cost to be financed by the Fund. Setting the levels for such maximum award limits is not an exact science and will be influenced by a variety of factors, including:

- The financial needs and demands (note, there is a difference) of project proponents;
- The availability of other sources of co-financing and the amount of disposable resources available to the Fund;
- The expertise and knowledge of Fund staff in appraising projects and negotiating contracts;
- Spending priorities of the Fund.

Maximum award limits, at whatever level they are set, should be assessed each year and adjusted as thought appropriate by the Fund to reflect changing demands/needs for finance, relevant policy priorities and the available expertise of Fund staff.

The Board, based on proposals made by the Secretariat, shall determine detailed eligibility criteria for each call for proposals (or proposals submitted through other mechanisms than calls for proposals, see section “project cycle management”) taking into account:

- Eligibility criteria and other relevant conditions mentioned in the Fund Act;
- Specific additional criteria, if at all necessary, in line with the adopted Fund Spending Strategy; specific aspects of the relevant priority spending area; specific requirements of the source of finance from which the call for proposals is financed; specific criteria established by relevant policy; and other relevant requirements.

It is therefore possible that each or several calls for proposals have different eligibility criteria.

The Fund Act also stipulates that “The Trust shall principally finance projects and programmes associated with the incremental costs of addressing climate change in order to minimise the threats and impacts of climate change”. Further, the Fund Act stipulates: “The Trust shall not be used to support the operational costs of Government, civil society or the private sector related to the implementation of the Virgin Islands Climate Change Adaptation Policy if such actions could reasonably be expected to be covered under the normal day-to-day business costs of Government, civil society or the private sector.” This clause shall, of course, be considered and implemented in all cases too.

Since incremental costs, operational costs and normal day-to-day business costs may differ for different spending priorities, technologies, infrastructure, etc., the Board, based on proposals made by the Secretariat, shall determine reasonable, detailed conditions relating to these items for each call for proposals (or proposals submitted through other mechanisms than calls for proposals, see section “project cycle management”). Note that the proposal templates referenced in Annexes 1 and 2 require explanations to these types of costs as well:

- Overhead costs will typically be included and detailed in the logframe of a project proposal;
- The value added and need for Fund involvement in financing the project proposal will need to be justified.

The following types of applicants should be generally eligible for Fund support:

- Public institutions (including schools, hospitals, etc.);
- Small and medium sized enterprises (SMEs);
- Non-governmental organizations (NGOs);
- Academia organizations;
- Registered associations;and
- Government institutions (national/regional/local level of government).

If necessary and for specific priority spending categories (or subsectors of main priority spending categories), eligibility could be restricted to focus on types of applicants that are likely to have the greatest requirements for financial support and most limited access to financial resources.

Eligibility criteria will help the Fund to decide and describe what kinds of projects and applicants can receive financial support, and what kinds of projects and applicants cannot. These criteria will help the Fund identify those projects that it believes will make strong contributions to its stated objectives and, at the same time, help the Fund to exclude those projects that are unlikely to make such a contribution. Eligibility criteria are also important for the information they convey to prospective applicants. The criteria should enable prospective applicants to determine whether their project proposals are eligible to be financed by the Fund. Eligibility criteria the Fund chooses to adopt and employ should, as a minimum:

- be discussed and agreed upon by the Fund Board;
- be included in the Fund's Annual Operational Plan and Triennial Spending Strategy (and have been reviewed by Fund stakeholders as part of formulating these spending strategies, provided that the Fund Board decided to implement such stakeholder review);
- be clearly communicated to prospective applicants and other interested parties;
- be formally reviewed and, as needed, revised on a regular basis (at least annually, in conjunction with the formulation of each new Annual Operational Plan); this review process should also involve key stakeholders of the Fund;
- reflect the realistic potential of the Fund in terms of its available financial resources (i.e. by not building unrealistic expectations among prospective applicants) and human resource capacity (i.e. by not overwhelming Fund staff).

The eligibility criteria should be sufficiently broad to allow a pipeline of eligible projects to develop in order for the Fund to be able to prioritize between different eligible projects. If the eligibility criteria are defined too narrowly, the Fund may not receive any applications that qualify as eligible. On the other hand, problems may result if the eligibility criteria are defined too broadly. In this case, the Fund may be flooded with a great number of applications that meet the eligibility criteria and thus

require full appraisal. The following is a list of “core” eligibility criteria that the Fund should usually apply, either in full or in part:

- Consistency of a project proposal with the Fund’s declared spending priorities.
- Additionality: The Fund may choose to limit (or completely withhold) its support for projects that can be financed from other sources (the proposals templates included in Annexes 1 and 2 require explanations from the applicant to this end). It is especially important that the Fund does not provide its public resources for a project that could have been financed with private sources of finance.
- Replicability: If funding is provided for new technology or new technological processes, it should be with a view to using the project as a demonstration for the technology or process so that, if successful, it can be replicated in other similar situations.
- Co-financing: Such a requirement, if applicable at all in a concrete case, has two main positive effects for the Fund. It allows the Fund to stretch its own resources further to support more projects and it obliges applicants to show a strong commitment to implementing the project efficiently. In general, for otherwise identical projects, the one with a higher degree of co-financing should be preferred as the sustainability impact of the Fund’s money is higher.
- No support for recurrent expenditures: The Fund should avoid financing recurrent expenditures (e.g. operation and maintenance costs), independent of whether this is provided for enterprises, organizations or public authorities or institutes. Requests for this kind of financial support may indicate that the requesting enterprise is in financial difficulty or that the operation is not viable or sustainable. If such an institution is believed to be so important to society that it must be helped financially, then such help should come directly from the Government, not the Fund.
- No revenue debts: The Fund may wish to exclude from eligibility all entities that are in default on their agreed payments to the Fund (would apply, for example, to applicants who have open obligations to pay the environmental protection levy introduced by the Virgin Islands Environment Protection and Improvement Fund Act, 2017, or, any other applicable payments to Government or the Fund).

In addition to the “core” eligibility criteria described above, the Fund may also wish to consider the following, if not as basic eligibility criteria, then as appraisal criteria:

- State of project preparation: The Fund should not consider any proposals that are still in the very early stages of conception and that do not have well developed documentation satisfying the Fund’s specifications. In the case of exceptionally attractive project concepts (i.e. projects that are likely to generate substantial, highly prioritized benefits), the Fund may, however, wish to grant project preparation support to enable them to be further developed. Such support should be provided only under clear rules and conditions. Similarly, the Fund may choose not to consider any projects whose implementation time will be very protracted (e.g. over several years).
- Problem prevention vs. treatment of symptoms: projects that prevent problems at the source should be preferred to projects that deal with the effects of a problem.

As regards financing instruments offered by the Fund and in line with the type of instruments allowed by the Fund Act, for the initial 3 years of operation, the Fund should confine the types of

financial support offered for eligible projects and applicants to non-repayable grants. During this time, the Fund should concentrate on building up its capacity and expertise in managing this type of spending mechanism.

At a later stage (whenever deemed appropriate by the Fund Board), the Fund's Board should also consider cooperating with selected commercial banks in offering soft loans, e.g. for projects which generate revenues or result in cost savings. For example, the Fund would co-finance bank loans by subsidizing loan interest payments, whereas the bank would be responsible for assessing and managing financial risks and the Fund for project cycle management from a technical/project content point of view. Alternatively, the Fund could develop its own capacity to offer lending products, provided legislation is in place for the Fund to offer lending products. The legislator, the Fund and affected stakeholders (in particular, commercial banks) should always consider, however, that the Fund should not crowd out or inhibit commercial finance for climate change investments.

In line with management capacity available at the Fund, investment demand and obstacles, as well as sources of revenues available to the Fund, other financial instruments could be considered too, eventually. One example includes repayable grants to finance equity investments to eligible companies offering climate change technology. Another example are repayable grants to secure loan guarantees to eligible applicants that cannot meet collateral requirements of banks, but are able to propose high impact projects in the Fund's priority spending areas. Further, the Fund could also consider providing repayable grants to allow for climate change related insurance coverage of eligible entities that are particularly vulnerable to climate changes impacts.

The Triennial Spending Strategy should contain summary information on the planned conditions of financing instruments to be offered by the Fund in the given period. Different financing instruments/conditions for different spending priorities (or spending subsectors) should be detailed in the Triennial Spending Strategy.

The Triennial Spending Strategy should also contain information on maximum award limits. The maximum amount of Fund financial support awarded to any single project should be determined by the Board (e.g., it could be limited to 5% of total expected disposable revenues of the Fund in any given budget year). In addition, the Board may decide to set maximum limits of Fund co-finance to a single project (grant equivalent expressed as a proportion of total eligible project costs, where eligible project cost refers to the eligibility criteria defined by the Fund as part of the Fund's respective application materials). The following examples are provided for illustration:

- Public sector investment projects: up to 75% (the Board may decide to decrease the percentage over time, in case),
- Private sector investment projects: up to 50% (the Board may decide to decrease the percentage over time, in case),
- Public sector non-investment projects: up to 75%
- Private sector non-investment projects: up to 50%
- Research and NGO projects: up to 75%

It is emphasized that these are recommended maximum award limits, and that the Fund in each case should endeavour to minimize its contribution to an individual project consistent with ensuring that cost-effective and technically sound projects are implemented. This means that, in practice, some projects would receive levels of support below the theoretical maximum.

e) Revenues and Expenditures

This section should provide for an overview of planned Fund revenues and expenditures, showing main sources of revenues and their expected levels for the period covered by the Strategy, whereas for the first year more detailed estimates could be provided. Planned expenditures should be presented by applying percentages of indicative spending targets for priority areas to expected Fund revenues. In any case, the Fund – whenever, or, if possible (subject to Section 8 (2) of the Trust Fund Act) – should avoid "internal earmarking" of its revenues, e.g., linking contributions to the Fund with Fund expenditures. The purpose here is to give policy makers and prospective applicants an indication of the volume of resources available as well as their intended spending allocation across priority areas.

f) The Fund's position as regards other financing mechanisms active in the market

This section should include summary information on other financing mechanisms/institutions that are already active in the Fund's priority spending areas. The following types of financing mechanisms should be considered, among others:

- Financial support schemes (co-)financed by national, regional, local public institutions.
- Financial support schemes (co-)financed by bilateral or multilateral organizations.
- Financial support schemes (co-)financed by domestic or foreign NGOs.
- Finance offered by commercial banks, leasing and /or insurance companies.
- Other financial schemes including those with private sector participation.
- Financial schemes expected to be established in the near future.

Whenever possible, the Fund should require potential project beneficiaries to seek and realize co-finance from such financing mechanisms/sources. Details on required co-financing for each priority spending area should be included in the Triennial Spending Strategy.

The Fund should consider and communicate that Fund support should always be additional to already existing financing sources; it should never crowd out such finance, especially market-based finance. In contrary, whenever possible, the Fund should catalyse the development of market-based financing. It follows that the Fund should regularly review the operations of other relevant financing sources in order to continuously adapt its own operational niche and financing products in line with market changes.

3. Annual Operational/Work Plan

The Annual Operational/Work Plan (hereinafter the "Annual Operational Plan") is the main short-term planning instrument used by the Fund.

The Annual Operational Plan should contain the following information:

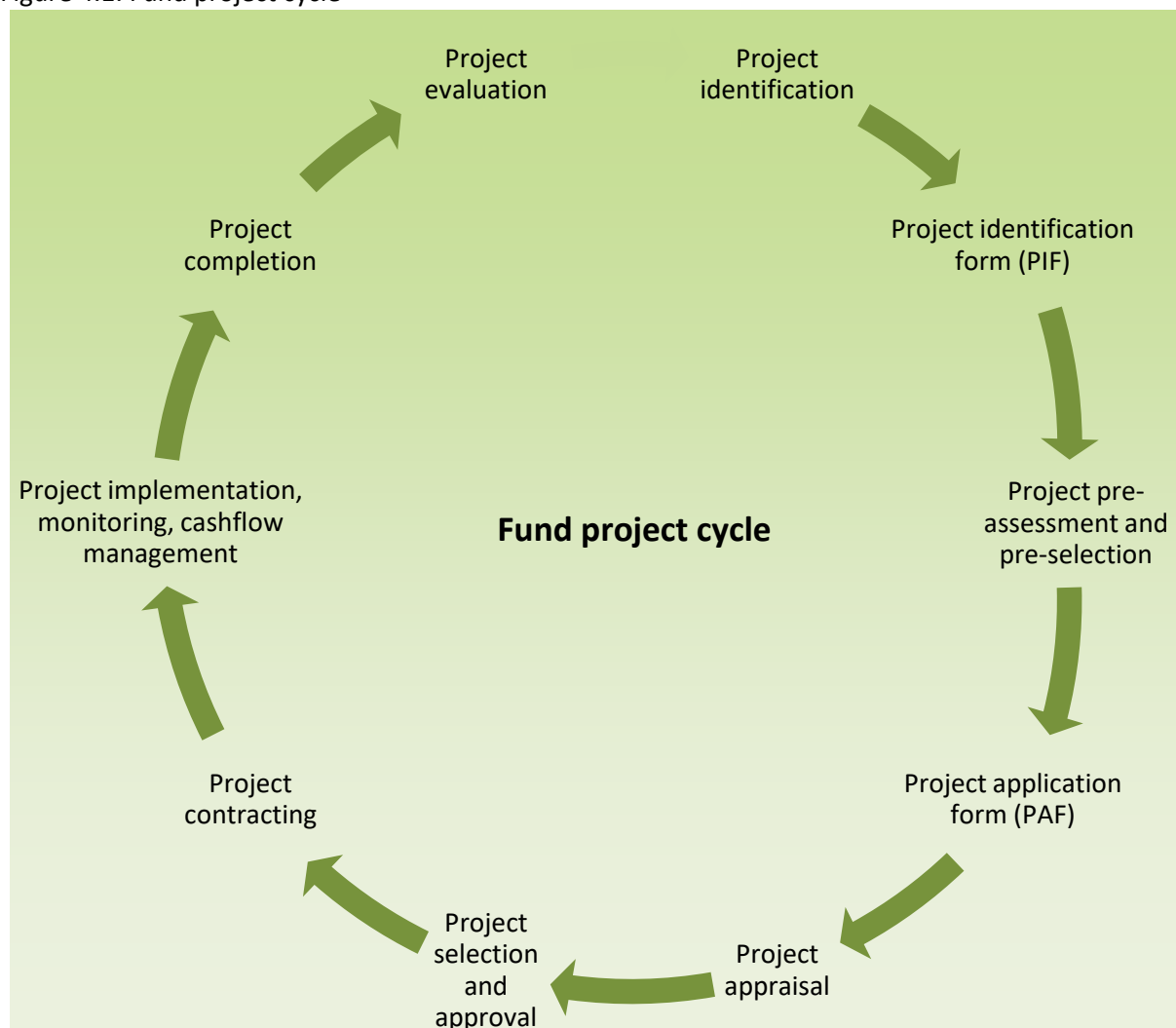
- Annual spending priorities, including details on subsectors/spending categories, details of planned financing instruments for each subsector/spending category, details on co-financing requirements for each subsector/spending category, and details on maximum award limits for each subsector/spending category, aligned to the requirements of the Fund Act, in particular section 36.

- Details on the planned annual revenues and expenditures of the Fund (budget). Note that the expenditure budget may contain a line that includes funds reserved for ongoing, multi-year projects to which the Fund has already made commitments.
- Details on project eligibility criteria, if necessary differentiated according to priority spending areas and subsectors.
- Timetable and relevant details for planned calls for projects and other relevant activities of the Fund.
- Application guidelines for unsolicited projects (in line with requirements included in the OM section 4 on project cycle management).
- Relevant details regarding the Fund's code of ethics, disclosure policy and environmental and social management and safeguards system.
- Links to relevant Fund website pages, as well as contact info of relevant Fund representatives.

4. Project Cycle Management

The Fund will eventually receive many project proposals and applications each year and will have to select the best projects from all applications. Once selected, the Fund needs to contract chosen projects and accompany each contracted project throughout the entire implementation and finalization period. The set of management procedures and practices the Fund applies to each project is referred to as “project cycle management” (see graph below for illustration).

Figure 4.1: Fund project cycle



As a basic rule, the Fund should strive for maximum efficiency in handling its project cycle procedures with each project, i.e. minimize to the extent possible the time needed to handle each procedure for each project without compromising on the quality of work and the rules stipulated in the following sections.

There are no fixed deadlines or maximum durations to complete specific steps in the project cycle, unless stipulated by the Fund, e.g. in calls for projects or project contracts.

4.1. Project Identification

Project identification may take three forms, of which the first two represent the Fund's standard project cycle management procedures:

- 1. Projects may be identified by the eligible project proponent who then approaches the Fund with a proposal. This is referred to as unsolicited project proposals because the projects are not initiated by the Fund.
- 2. The Fund initiates the identification of proposals through calls for proposals in line with priorities and schedules for calls included in the Fund's annual operating plan.
- 3. If required explicitly by a foreign provider of revenues to the Fund, the Fund may also engage independent consultants to prepare projects in line with detailed guidelines of the foreign financier. In such a case, the Fund should ensure that these procedures are to the greatest extent compatible with the standard project cycle management procedures detailed in the present section.

The first approach allows a wider array of potential projects to be presented to the Fund for its consideration. The second approach allows the Fund to better focus its limited financial resources on a particular issue, thus resulting in a more targeted impact. The third approach would allow for securing revenues from donors that require the use of their own project development cycle procedures.

Note that in specific cases, the Fund may also wish or be invited by foreign donors to bundle several smaller projects of similar nature identified through a call for proposals (above mentioned method No. 2) to a larger project (co-)financed by a foreign donor, whereas the Fund would eventually on-grant funds received from the donor to beneficiaries. This would represent a combination of methods No. 2 and 3 as mentioned above and, where necessary and if approved by the Board, follow the donor's project cycle management requirements, unless the donor accepts the Fund's procedures.

The procedures applying for selecting and implementing unsolicited project proposals should be described in detail in the Fund's "project application pack" for prospective applicants, provided by the Fund on the Fund's website. The project application pack would include as a minimum the latest/applicable versions of the Fund's Annual Operating Plan and Spending Strategy, the full version or a summary of the Fund's project cycle management procedures, the Fund's ESS Policy and the applicable funding proposal templates (see Annexes 1 and 2).

Most Fund support should be provided (as determined by Board and if nature and size of revenues allow, of course), via calls for proposals, i.e. public tenders organized by the Fund (above mentioned method No. 2). This method is particularly effective when the Fund wants to finance a number of similar projects addressing the same spending priority. In calls for projects organized by the Fund, the Fund has specific goals and expectations about the project(s) it wants to see implemented; these goals and expectations are specified in the Fund's Annual Operating Plan. The Fund then holds a competition (call for proposal) through which it solicits proposals for projects that fall within the targeted spending priority(ies) that meet the terms and conditions specified in the tender announcement. After the pre-determined time period during which proposals may be submitted, the Fund evaluates, compares and ranks all proposals and finances the "best" projects (i.e. those that best satisfy the expectations, terms and conditions specified in the tender).

In order to rationalize the project application process for both unsolicited project proposals and tendered proposals, the Fund shall implement a two-step application process, entailing the following:

Step 1:

- The project proponent first provides the Fund with basic, summary information about the proposed project by completing a “Project Identification Form” (PIF) provided by the Fund.
- The PIF is a brief, standardized document that will quickly show whether the project concept complies with the Fund’s basic eligibility criteria, financing principles and spending priorities (note: technical project documentation to be submitted in step 2).
- If the PIF shows that the project proposal does not comply with the Fund’s basic eligibility criteria and financing principles, the project proponent will be formally informed of this by the Fund, with a brief written explanation provided.
- If the project proposal requires only minor adjustments to comply with the Fund’s basic eligibility criteria and financing principles, the Fund will advise the project proponent about the needed changes and allow the proponent to submit a new, revised PIF.

Step 2:

- If the PIF, either in its original or revised form, is found to comply with the Fund’s basic eligibility criteria, financing principles and budget, the Fund will invite the project proponent to submit a full Project Application Form (PAF) provided by the Fund.
- A PAF is a more comprehensive document requiring the applicant to provide substantial information about all aspects of the proposed project (e.g., climate, technical, economic, financial). The PAF will consist of a standardized application form and may be supplemented by various other documents about the project requested by the Fund (e.g. engineering designs, feasibility studies, environmental impact assessments, etc.). Each PAF shall also include a project results management framework, detailing objectives, impacts, outcomes, outputs, activities and inputs of proposed projects, whereas project objectives, impacts and indicators will have to be fully compatible with the Fund’s objectives, impacts and indicators at institutional level, as defined in the Fund’s legislation, spending policy and indicator framework.
- Once the applicant has submitted a properly completed PAF and all required associated documentation, the proposed project will undergo thorough appraisal by the Fund.

Such a two-step process is cost-effective both for the Fund and the project proponents. Project concepts that are clearly ineligible for Fund support are identified and excluded at an early stage before the Fund and the project promoter spend too much time on respectively developing and assessing the project further. To enable a flow of sound project concepts, the general eligibility criteria and PIF should be freely and easily available to all potential project proponents. The PIFs shall also include information on the time needed by the Fund to process PIFs as well as subsequent steps in project cycle management.

PAFs should always include a number of standardized indicators (as included further below throughout section 4, but in particular section 4.9 and Annexes 1 and 2) that allow the Fund to measure the climate, environmental, economic and social impacts of a project proposal, as well as project risks and the cost efficiency of a project proposal. Based on these indicators, the Fund will also be able to calculate and demonstrate the Fund’s overall climate, environmental, economic and

social impact in each priority spending area. These data and information will be especially useful in the context of the Fund's reporting and stakeholder communication (e.g., Fund Annual Report, Fund website, etc.). As part of PAFs, indicator data should be required by the Fund for both ex-ante and ex-post project implementation, i.e., data and information which characterize the situation before the implementation of a project proposed to the Fund and expected/estimated indicator data/values after implementation of the project. As part of the Fund's project completion procedures, actual data/values of these indicators after project implementation should be provided by the project implementer on a mandatory basis.

PAFs should also include a formal assessment of the project proponent of project risks (see section 4.7) and the Fund's environmental and social safeguards (ESS) criteria - see the ESS section of the present Operational Manual for details.

In cases where the applicant has deviated substantially from the standardized PAF, the application should be returned to the applicant with instructions for improving/modifying the information provided. The Fund will provide deadlines for resubmission to the applicant on a case by case basis.

It should be noted that the Fund's approval of a PIF provides for no guarantee that a PAF submitted subsequently will be approved and financed by the Fund. Approval of a PIF merely allows the project proponent the opportunity to submit a PAF, which will then be carefully appraised and ranked vis-à-vis other project applications being considered by the Fund. The proponent should always be clearly informed about this, for example as part of a positive decision as regards a PIF.

All negative PIF and PAF decisions should always be clearly explained. As part of these explanations, the Fund should also communicate the process for handling appeals against negative decisions (see section 4.11) and inform the proponent whether a proposal can be resubmitted in modified/improved form. Usually a resubmission of a project should be allowed for once.

PIF and PAF templates are available in Annexes 1 and 2.

4.2. Project Appraisal Procedures

Project appraisal is the process of evaluating qualified proposals in order to determine which are "best", "OK" or "not-so-good" for achieving the Fund's objectives as communicated in the Fund's spending policies. The appraisal of project proposals constitutes a core function of the Fund staff and management. The development and implementation of robust appraisal criteria and procedures is perhaps the most important contribution the Fund administration can make toward ensuring that its public resources generate the greatest benefits possible.

Appraisal involves a thorough analysis of all aspects of a proposed project and a comparison of the project with other, similar proposals addressing the same issue/priority spending area.

All projects that eventually receive financial support from the Fund should have undergone full and standardized appraisal.

Issues to be considered when establishing the parameters of the appraisal process and suggestions for the criteria and methodology to be used are presented below.

Setting the Parameters of Appraisal

A number of factors should be considered when designing and implementing project appraisal criteria and procedures. These factors include:

- Size, complexity and risks of the projects being appraised;
- Particular issue being addressed;
- Type and amount of information required to conduct appraisal;
- Form of financial support requested from the Fund;
- Level of demand for the Fund's resources (i.e. as expressed through applications for support);
- Resources available to the Fund for conducting appraisal (e.g. time, human, financial).

Unsurprisingly, the size and complexity of a project will affect the nature and scope of its appraisal process. Generally speaking, the appraisal process will be more demanding the larger, the riskier and the more complex a project is. Thus, considerably more information, specialized expertise and time will typically be required to thoroughly appraise a major capital investment project (e.g. construction of a solid waste landfill) than to appraise a relatively smaller, non-capital investment project (e.g. education campaign). Given the significant differences that usually exist between such types of projects, the Fund should develop appropriately customised appraisal criteria and procedures. While the same basic PIF may be suitable for both capital investment projects and non-capital investment projects, different full project application forms (PAFs) may be used for different categories of projects. For example, certain details (such as requirements for feasibility studies, environmental impact studies, procurement plans, etc., see Annex 1) necessary for certain capital investments or certain priority spending areas may be omitted in templates used for non-capital investments.

While a number of appraisal criteria can be appropriately applied to a wide range of projects addressing a wide range of issues, some criteria will be specific to the particular issues being addressed. For example, projects addressing energy efficiency may be evaluated according to how much energy is saved and/or air emissions reduced. Detailed appraisal criteria for each specific issue/spending priority should be designed such that they appropriately capture indicators supplied by the project proponent as part of the PAF (the indicator itself may sometimes serve directly as one appraisal criterion). Note that this does not mean that appraisal criteria should be changed based on proposals received; rather the appraisal criteria should be designed upfront in line with the expected proposal information and included in the documentation for calls for proposals.

The Fund's need for information to be able to appraise projects will vary according to the size and complexity of project and issue being addressed. The Fund will need more, and more detailed, information to be able to properly appraise large and complex projects than it will to appraise relatively smaller, simpler projects. This differentiated need for information should be reflected in the PAFs for different priority spending areas as well as capital investment and non-capital investment projects.

The level of demand for Fund resources will also have an effect on the complexity and depth of the appraisal process. The greater the demand for the Fund's resources, the more important it will be for the Fund to set clear eligibility criteria which it can use to screen out unqualified or less qualified proposals and to be able to compare and rank projects vis-à-vis each other in order to identify the "best" proposals.

The appraisal system adopted by the Fund should realistically reflect the resources available to it (e.g. time, human capacity, financial). Given the limited resources at the Fund's disposal, it should strive for as simple and streamlined an appraisal as possible that will still allow it to screen out unqualified proposals and distinguish the better projects among the eligible proposals. The project appraisal work should be done by the expert staff of the Fund, and only in exceptional cases be outsourced to external experts (e.g., in the case of very complex projects or projects that require a very specific expertise that is not available in the Fund).

A Sample Appraisal Methodology

Full appraisal and ranking as illustrated below first involves categorizing projects according to priority spending area using the same categorization used in the Triennial Spending Strategy and Annual Operational Plan. After projects are categorized, a multi-criteria appraisal and ranking model should be used. Projects could be appraised and ranked according to four main criteria:

- Climate/environmental/economic/social effects;
- Technical feasibility;
- Financial/economic issues, and;
- Implementation feasibility.

A project's characteristics in relation to these four criteria are discussed below. Ranking is based on scoring a number of sub-criteria and assigning weights (i.e. measures of relative importance) to each main criterion and sub-criterion. The four main criteria should be applied for all priority areas, but the Fund may decide to revise the underlying sub-criteria. However, any changes made to the criteria should be applied to all projects in the same priority area (i.e. changes should not be made for a single project). To achieve and maintain the credibility of the appraisal process, it is important that the criteria are known in advance by the applicants (as part of the tender documentation or project application pack) and thus they should not be changed too often, nor should they be changed at short notice.

The weight attached to the different main appraisal criteria should reflect the preferences and priorities of the Fund, its governing authorities and other key stakeholders and be arrived at through an open, transparent decision-making process. Once agreed upon, these weights should be fixed for a given period of time (e.g. one year) and clearly communicated to prospective applicants (as part of the tender documentation or project application pack). The table below illustrates weights for each of the main criteria.

Table 4.1: Example of overall weights of main appraisal criteria

Overall weights of main appraisal criteria	
Main Appraisal Criteria	Weight
Climate/Environmental/Economic/Social effects	0.4
Technical Feasibility	0.2
Financial/Economic Issues	0.2
Implementation Feasibility	0.2
Total	1.0

Using the weights suggested in the above table, the criterion of climate/environmental/etc. effects is given twice as much weight (i.e. importance) as any of the other main criteria, which are all given equal weights. Each of the four main criteria is composed of a number of more detailed sub-criteria. A list of suggested sub-criteria is provided in the table below (table 4.2). Each of these sub-criteria, in turn, should be assigned a weight to reflect its relative importance vis-à-vis the other sub-criteria in its group. The project is scored on each sub-criterion according to how well it satisfies that sub-criteria.

Scoring at the level of sub-criteria can be simplified to a three, twenty or fifty-point scale, as follows, depending on the level of distinction desired:

- 3-point scale: project satisfies the criteria “not at all”, “moderately” or “very well”;
- 20-point scale: score 0 if project satisfies the criteria “not at all”, score 20 if project satisfies criteria “very well”;
- 100-point scale: score 0 if project satisfies the criteria “not at all”, score 100 if project satisfies criteria “very well”.

Whatever scale is selected would have to be used consistently across criteria. Weighting/scoring would be adapted as desired.

The choice between 3-, 20- or 100-point scales depends on the complexity of the proposals to be scored. For simple proposals, a 3-point scale can be sufficient, for highly complex proposals, a 100-point scale may be employed to better differentiate between proposals. The total score a proposal can achieve in a 3-point scale will be 2. The total score a proposal can achieve in a 20-point scale will be 20 (see example below). The total score a proposal can achieve in a 100-point scale will be 100.

With regard to the different sub-criteria used, it is suggested that certain sub-criteria will be vitally important and should be satisfied at least to some minimum acceptable level (e.g. “reasonably well”). In such a case, a project that fails to meet the minimum standard for the given sub-criterion should, as a rule, be disqualified from further consideration and not be included on the ranked list of projects for that given priority area (the project promoter may be notified by the Fund, however, that a new, improved application to the Fund can be made in the future, e.g., as part of a future call for proposals). If the Fund does designate certain sub-criteria as having minimum acceptable standards, then these should be clearly specified in the tender documentation or project application pack, and thus clearly communicated to prospective applicants.

To summarize the appraisal methodology illustrated in the below table, which employs a 20-point scale:

- Each sub-criterion is scored on a 20-point scale where “0” indicates that the project satisfies the criterion “not at all”, a score of “10”, that the project satisfies the criterion “moderately”, a score of “20”, that the project satisfies the criterion “very well”.
- “20” is therefore the maximum score any sub-criterion can achieve.
- Each sub-criterion is assigned a weight reflecting its relative importance vis-à-vis the other sub-criteria in its group.
- The total weight of all sub-criteria in a given group equals 1.00.

To continue the appraisal and ranking process, the following steps are taken:

- Each sub-criterion's score is multiplied by its weight, yielding a "weighted score" for each sub-criterion.
- These weighted scores for each sub-criterion are added together to generate a "total weighted score" for all sub-criteria composing a given main criterion.
- The maximum total weighted score a given set of sub-criteria can achieve in this system is 20.
- This total weighted score for a given set of sub-criteria is then multiplied by the weight assigned to that main criterion; in the case of "Environmental Effectiveness", the weight would be 0.4.
- Through this process an "aggregated weighted score" is arrived at for each main criterion; in the case of Environmental Effectiveness, a maximum total weighted sub-criteria score of 20 multiplied by a main criterion weight of 0.4 would yield an aggregated weighted score of 8.
- The aggregated weighted score for each main criterion is then added together, yielding a "Total Project Score".
- The maximum Total Project Score a project can achieve in this system is 20.

Table 4.2: Example of main and sub-criteria for capital investment projects in mitigation

Climate, Human Health & Environmental Effectiveness Sub-Criteria	Score¹ 0/10/ 20	Suggested Weight	Weighted Score
Degree to which GHG emissions are reduced ²		0.40	
Extent to which the project addresses the Fund's priority spending area addressed by the call ²		0.20	
Project generates other important environmental benefits ²		0.10	
Project has no adverse environmental impacts or such impacts are mitigated ²		0.10	
Project reduces human health risks		0.10	
Project addresses additional Fund priority spending areas		0.10	
Technical Feasibility Sub-Criteria	Score 0/10/ 20	Suggested Weight	Weighted Score
Proposed technology/methodology is appropriate and proven effective for the problem addressed (note that in calls focusing on innovative new technology, this criterion could be changed to degree of innovation, or similar) ²		0.30	
Project proponent has capacity to operate and maintain technology over its operational life-span (i.e. has the know-how and resources to service/repair the technology) ²		0.30	
Risk of technical failure is low or mitigated against ²		0.15	
Project documentation is complete and demonstrates competence ²		0.15	
The project has significant demonstration effect		0.10	
Financial/Economic Sub-Criteria	Score 0/10/ 20	Suggested Weight	Weighted Score

Project represents the least-cost solution to the problem addressed (i.e. maximizes “cost-effectiveness”) ²		0.30	
Project financing plan is realistic, secure and complete ²		0.20	
Project proponent is a sustainable entity (i.e. not likely to become insolvent or to shut down in near future) ²		0.20	
Project’s financial internal rate of return falls within an acceptable range ²		0.15	
Co-financing from proponent’s own resources and other sources has been maximized		0.15	
Implementation Feasibility Sub-Criteria	Score 0/10/ 20	Suggested Weight	Weighted Score
Project is fully prepared and can be implemented quickly (e.g. all necessary legal permits/licenses/approvals have been or will be shortly obtained) ²		0.30	
Project proponent has demonstrated capacity to implement the project in a professional and efficient manner ²		0.20	
Implementation schedule is realistic and acknowledges potential obstacles ²		0.20	
Public procurement requirements (if applicable) have been provided for ²		0.20	
Project is strongly supported by the local authorities and public		0.10	
Notes: 1) Projects are to be scored on each applicable sub-criterion using the following 20-point scale: “0” indicates that the project satisfies the criterion “not at all”, a score of “10”, “reasonably well”, a score of “20”, “very well”. 2) It is suggested that projects must score at least “10” on these sub-criteria in order to be included on the list of ranked projects for the given priority spending area.			

Note that the sub criteria mentioned above are for illustrative purposes only, they can and should be adapted to the requirements of different calls for proposals and priority spending areas as defined in the Fund’s Spending Strategy and Annual Operating Plan and in line with what the Fund would like to achieve with the finance offered.

The table below illustrates how the aggregated weighted score for the main criterion of Climate, Human Health and Environmental Effectiveness would be arrived at if each sub-criterion achieved a maximum score of 20.

Table 4.3: Example of Climate, Human Health & Environmental Effectiveness Sub-Criteria

Climate, Human Health & Environmental Effectiveness Sub-Criteria	Score 0/10/20	Suggested Weight	Weighted Score
Degree to which GHG emissions are reduced	20	0.40	8
Extent to which the project addresses one of the Fund’s highest priorities	20	0.20	4
Project generates other important environmental benefits	20	0.10	2
Project has no adverse environmental impacts or such impacts are mitigated	20	0.10	2
Project reduces human health risks	20	0.10	2
Project addresses more than one of the Fund’s priority spending areas	20	0.10	2
Total weighted score for sub-criteria			20

Aggregated weighted score for Climate, Human Health & Environmental Effectiveness	0.40	8
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The following table illustrates how the aggregated weighted scores for each main criterion would be arrived at and then added together to yield a Total Project Score.

Table 4.4: Example of how to arrive at a Total Project Score

Main Appraisal Criteria	Total weighted score of Sub-Criteria *	Suggested weight for Main Criteria	Aggregate weighted scores for Main Criteria
Climate, Health & Environmental Effectiveness	20	0.40	8
Technical Feasibility	20	0.20	4
Financial/Economic	20	0.20	4
Implementation Feasibility	20	0.20	4
Total Project Score:			20
Notes: *Assumes each individual sub-criterion achieved a maximum score.			

Many of the sub-criteria suggested above can be applied to both capital investment projects and non-capital investment projects. Some, however, clearly cannot. For example, education campaigns may not have direct human health effects or measurable climate or environmental benefits. Rather, such campaigns may generate other benefits, such as increased public awareness or willingness to pay for climate/environmental protection. Often, non-investment projects lack clear, immediate, tangible outputs or results and therefore can be more difficult to evaluate and compare in a quantifiable manner. Typically, some of the appraisal criteria used to evaluate and compare such projects will be of a “softer”, more subjective nature than criteria for capital-investment projects. Nevertheless, the Fund should try to develop criteria that can routinely be applied to non-investment projects. Some examples of criteria for non-investment projects are:

- Number of participants (e.g., in a training workshop, educational program, etc.).
- Documented learning progress (e.g. based on ex ante and ex post samples).
- Number of persons reached (e.g., in an awareness raising campaign).
- Number and size of publications produced (e.g. textbooks, leaflets, training manuals).
- Quality/range/appropriateness of sources used for developing deliverables;
- Level of benefits likely to extend beyond the immediate target audience (i.e. can the impact of the project be easily spread more broadly, or be replicated?).
- Etc.

Following the appraisal and scoring methodology described above, each project receives a score; on the 20-point scale illustrated above, the maximum score possible is 20. The next task is to rank projects within each priority area according to their score, with the highest ranked projects at the top of the list. Each priority spending area would then have a list of ranked projects. Next to each project should be shown the amount of financial support requested for that project (or the amount the Fund is considering providing, which might be less than the amount requested).

It is important to remember at this point that the appraisal and ranking process does not compare projects addressing different priorities; rather, it compares and ranks projects within the same priority area. Based on the spending targets included in the Fund’s spending strategies, the appraiser

can start at the top of each list of ranked projects, note the amount of financial support requested (or proposed by the Fund), and proceed down the list until the cumulative amount requested by the highest ranked projects meets or exceeds the amount targeted for that priority. At this point on the list, where the money targeted for that priority is exhausted, a line can be drawn: projects above the line (i.e. the highest ranked) are to be recommended for funding; those below are not. Of course, relevant conditions included in the Fund's Spending Strategy, Annual Operating Plan and the Fund Act (Section 36(1)(b) of the Fund Act states, for example, that no more than 50% of funds disbursed in any year may be accessed by Government agencies unless qualifying proposals from other applicants do not absorb the remaining funding capacity) will have to be considered too in the process.

Note that, based on the assessment and appraisal of the Fund's risk management, as well as environmental and social safeguards (ESS) criteria (see project-at-risk-management system section and ESS section of Operational Manual for details), some projects may also have to be rejected (or returned for redesign), e.g. in a case when the Fund's environmental and social safeguards or risk policies are violated.

In the case where demand for the Fund's financial support within a given priority is less than the amount of funding ear-marked for that priority (i.e. there is money left-over), there may be no need to draw a line through the project list; all appraised projects in that priority area could be financed. However, the appraisal process may show that some projects, despite passing basic eligibility criteria, are not worthy of being financed. To provide for such cases, it may be helpful to augment the suggested numerical ranking system with a more qualitative approach. Based on the project's appraisal, the expert(s) conducting the appraisal could make a summary conclusion, placing the project in one of three categories:

- The project is worthy of financial support as proposed.
- The project may be worthy of financial support, after certain specific modifications.
- The project should not be supported.

Alternatively, as part of the application documentation, the Fund may define a minimum score a proposal must reach in order to be funded.

The qualitative conclusion of the appraiser(s) should be consistent with the numerical score. For each project a brief summary of the appraisal should be prepared, including the numerical score and qualitative conclusion, and highlighting key strengths and weaknesses of the project. The appraisal summaries should be formally documented.

In addition to the above procedures implemented at Fund Secretariat level, project proposals considered worthy of support and that will be recommended for funding to the Board (i.e. falling above the drawn line for available funding), in particular complex project proposals, proposals with medium or large environmental and social impacts and proposals including new and yet untested technology, shall be submitted to the Fund Review Committee. The Fund Review Committee shall elaborate recommendations on the merits of the proposals under consideration, based on the Committee's TOR included in section 4.3.

All project appraisal summaries, together with the proposal-specific recommendations from the Review Committee, should be provided to the final decision-maker, i.e. the Fund Board (see section 4.4).

4.3. Terms of Reference of the Fund Review Committee

Based on the Fund Act and present Operational Manual the terms of reference for the Fund's Review Committee is:

Minimum required qualifications and key fields of competencies

Individuals interested to serve on the Review Committee must to the extent possible demonstrate recognized capacity and expertise in the following fields of key competency, supported by successful career experience at a senior level with at least 10 years of relevant professional experience across the following areas:

- Technical expertise, operational experience and good understanding of applied technologies in at least one of the following areas:
 - Energy access and power generation/distribution, especially as regards renewable sources;
 - Low emission transport;
 - Energy efficient buildings, industries and appliances;
 - Reduced greenhouse gas emissions from forests and land use;
 - Increased climate resilience of livelihoods of people, communities, and regions;
 - Increased climate resilience of health and well-being, food and water security;
 - Increased climate resilience of infrastructure and the built environment;
 - Increased climate resilience of ecosystems and ecosystem services.
- Professional experience in the financing, development, and implementation of climate change projects;
- Working knowledge of the Fund's project cycle management framework and Environmental and Social Management Safeguards System;
- Unquestionable personal reputation, integrity, and ethical behavior throughout his or her professional career.
- Fluency in the English language.

Role and Mandate

Following formal appraisal and scoring of proposals as per procedures detailed in section 4.2 and in particular in cases of complex project proposals, proposals with medium or large environmental and social impacts and proposals including new and yet untested technology, the Review Committee will provide non-binding and independent technical review of, and advice on, funding proposals for the Board.

The Committee will review funding proposals against the Fund's investment strategy, project cycle management framework and Environmental and Social Management Safeguards System.

Members of the Committee may not seek inputs from external stakeholders.

Comments and recommendations made by members of the Committee shall be sent to the Secretariat and the Secretariat shall compile such comments and recommendations for eventual submission to the Board.

The CEO may invite members of the Committee to Board meetings to further explain their comments and recommendations.

A summary of completed reviews discussed by the Board and resulting in a project being approved by the Board, will be made available on the Fund's website, subject to the Fund's Information Disclosure Policy.

The Board may decide to use comments and recommendations made by the Committee to formulate conditions to be included in project support contracts signed between the Fund and project proponents.

Modalities of Work

The Committee will review funding proposals received from the Fund Secretariat. The Secretariat will submit funding proposals for review which have been appraised by the Secretariat and as a result of such appraisal have been found worthy of support and can be recommended for funding based on available resources.

In each case, the Secretariat will define deadlines until which the Committee can provide comments and recommendations. In any case, members of the Committee shall receive at least 2 weeks to provide comments and recommendations.

The Committee will conduct its review of funding proposals remotely, unless exceptional circumstances necessitate physical meetings.

Members of the Committee are entitled to receive a fee for review work provided unless members are serving in their capacity as civil servants. The Board will determine maximum fee rates. The Secretariat will determine the time required for reviewing funding proposals.

Conflict of interest and confidentiality

A conflict of interest arises when a Committee member has an interest, which may include but is not limited to a financial interest that could, or could be deemed to, improperly influence the performance of his or her official duties or responsibilities as a Committee member. A conflict of interest applies to, among others, Committee members who are working with, are required to issue official advice or permits to, or have any contractual arrangement as consultants or otherwise with, a project proponent or an entity proposed to implement activities under a funding proposal to be reviewed.

All actual or potential conflicts of interest, or the appearance thereof, shall be immediately disclosed in writing to the Fund's Integrity Unit. It is the duty of the Integrity Unit to review these disclosures promptly and to decide whether an actual or potential conflict of interest exists and, if so, whether to issue a waiver defining the extent to which the Committee member in question may participate in any discussion of the issue that has given rise to the conflict. The waiver may be designed to allow for any level of participation that the Integrity Unit deems appropriate. When the Integrity Unit determines that an actual or potential conflict of interest exists, the Committee member shall not

participate in the matter that has given rise to the conflict. Until the Integrity Unit is established, the CEO will perform the duties of the Unit in the interim.

At the time of appointment, every Committee member will sign an Oath for external members serving the Fund. Committee members shall adhere to the Fund's Code of Ethics and Conflict of Interest Policy. Committee members shall also adhere to the Fund's Information Disclosure Policy, including in respect of the treatment of confidential information.

4.4. Project Selection Procedures

The result of the appraisal and ranking process described in the previous sections will be a list of scored and ranked projects for each priority spending area defined in the Fund's Annual Operational Plan, as well as specific Review Committee recommendations for all or certain proposals considered worthy of support. As discussed, a line should be drawn by the Secretariat on each list indicating the point at which funding earmarked for that priority is fully consumed by project requests for financial support, i.e. projects above the line are recommended to be financed, projects below the line are not. Projects recommended to be financed from each priority area list should then be compiled into a single "List of Recommended Projects" prepared by the Secretariat. The Secretariat will supplement the list with recommendations for conditions, as defined by the Review Committee. The List of Recommended Projects including proposed conditions should be submitted to the Fund CEO and eventually the Board as the formal recommendation of the experts responsible for project appraisal and ranking.

While considering the list, the Board may have questions about some of the recommended projects; they may want information about other appraised projects not recommended, explanations about rankings, posed conditions, etc. The Fund CEO, being responsible for submitting the List of Recommended Projects to the Board, should be prepared for such queries and discussion, and may therefore invite relevant Fund staff and/or representatives of the Review Committee to explain issues raised to the Board.

The situation may also arise wherein a large number of very good (i.e. highly scored) projects have been proposed in one priority area, exceeding earmarked funds, while relatively few good projects were proposed in another priority area, leaving surplus funds. In such a situation, the Fund may allow funds earmarked for the latter to be re-allocated to the former, once this imbalance of good projects becomes apparent to the Fund. Such a decision may take place immediately following the completion of full appraisal. Written justification should then be added to the List of Recommended Projects, so as not to undermine the role of the a priori spending targets in communicating priorities to prospective applicants.

As with the appraisal process, the process by which the Fund Board makes final decisions on which projects are to be financed should be guided by clear, documented principles and procedures as follows:

- The basis for approval of any project shall be its professional, systematic appraisal and ranking by Fund experts, recommendation from the Review Committee and recommendation of the Fund CEO.
- If the List of Recommended Projects is subsequently modified by Board decision, a written explanation shall be provided and entered into the official record, to be made available to any interested party upon request.

- The final List of Approved Projects, as approved by the Board for financing, shall be promptly published on the Fund website, including conditions as decided by the Board.
- In the case of approved projects, the Fund and applicant shall promptly negotiate and sign a legally binding award contract (i.e. project implementation agreement), specifying the conditions for project implementation, the amount of finance offered by the Fund, procedures and timing for disbursement, etc. The contract shall also regulate any conditions the Board decided on.
- Prompt written notification shall also be provided to applicants whose applications were not approved for funding, explaining the reasons why and indicating the possibilities for appeal and re-submitting a modified proposal in the future (if any).

The principles and procedures recommended here are based on an understanding that different parties concerned with the Fund have different roles to play in resource allocation decision-making. As a rule, the appraisal and selection of individual projects should be left to the Fund's technical experts and Review Committee rigorously employing agreed principles, criteria and methodologies. The role of non-technical external experts, for example in their capacities as senior policy-makers or politicians, is to discuss and set climate priorities and to agree those same principles.

4.5. Contracting Procedures

After projects have been formally approved for financing by the Board, the Fund shall conclude a legally binding award contract with the successful applicants. Such a contract primarily sets out the responsibilities of both parties in project implementation and states the project financing arrangements and implementation schedule. The award contract should always commit the applicant to use the allocated funding only for the purpose described in the approved project and within the framework of the contract. Furthermore, the award contract should provide measures for cancelling future disbursements and retrieving disbursed funds in case the contract is breached by the applicant by enabling legal action to be taken under the relevant legislation. The award contract must be signed by the Fund CEO and the principal of the project beneficiary and includes:

- A summary of the project;
- The respective responsibilities and rights of the Fund and beneficiary;
- Conditions imposed by Board decision (incl. as a result of Review Committee recommendations) and how these conditions shall be addressed;
- A description of the project financing, including a payment schedule, and rules for procurement;
- An outline of the project implementation schedule, progress reporting, project supervision;
- Articles defining responsibility for project risks and procedures for amendment, annulment and termination of the contract;
- Annexes with project document, financing plan, procurement plan and relevant forms stemming from the Fund's code of ethics and disclosure policy.

A full set of minimum contract requirements is presented in Annex 3.

Once the contract is signed, the Fund should transfer payments to the recipient according to the reporting and disbursement schedule described in the contract.

General rules concerning disbursements include:

- Advance payments may be made once award contracts have been concluded, but should be kept to a minimum and only relate to normal and customary upfront expenses. A limit of some percentage of total award should be established (maximum 20%). Advance payments shall be linked to the Inception Report (i.e. the Inception Report would trigger the transfer of an advance payment) and shall be accounted and deducted for in intermediate and final payment invoices.
- Subsequent payments are made only when the Fund receives and approves receipts (or other agreed evidence) for expenses incurred by the beneficiary;
- Payments for major items of equipment or construction work shall be normally made directly to the contractor providing the equipment or undertaking the construction work (when the Fund receives and approves receipts, or other agreed evidence, for expenses incurred by the beneficiary);
- The final portion of the award should be paid by the Fund only when the beneficiary has provided the necessary documentation confirming that the project is fully completed and, where reasonable, that the envisioned environmental/economic/social benefits have been delivered.
- Unused disbursed funding shall be returned to the Fund after the implementation has been completed.

4.6. Project Implementation and Monitoring Procedures

The Fund shall monitor the implementation of the project to ensure compliance with the award contract and any relevant legislation. The basis of effective monitoring is good communication between the Fund and the project proponent. Communication may take place by telephone, letters, meetings, etc. However, periodically, e.g. every 2-3 months, Progress Reports shall be prepared by the project proponent (and/or the implementing agent) and submitted to the Fund Secretariat, Operations Department (see sample project progress report format in Annex 4). Other important elements of monitoring include site visits by Fund staff and possibly other appropriate authorities.

Progress reports are a particularly vital tool in project monitoring. The progress report shall serve as an occasion for periodic discussions with the Fund in order to identify needs for revisions of the implementation schedule and other elements included in the project document and contract.

Project monitoring shall already be considered during project preparation. As a minimum, the Award Contract should identify the parties responsible for the project reporting system, and the contents and frequency of reporting.

The Fund and project proponent share the responsibility for efficient project execution and resolution of implementation problems. The Fund's staff shall, based on progress reports, site visits and other communications with the project proponent:

- Ensure that the project proponent implements the project so as to achieve its objective in conformity with the award contract;

- Identify risks and problems promptly as they arise and help to resolve them within reasonable boundaries; and
- Take action to cancel a project if its continuation is no longer justified, particularly if the project proponent has failed to act in accordance with the contract.

The Fund's staff shall be encouraged to establish and maintain constructive relationships with project proponent staff, so that they will not hesitate to bring difficulties to the attention of the Fund. During site visits, the Fund's staff shall share their findings and recommendations with the project proponent. Monitoring also includes taking action to help the project proponent complete necessary actions promptly before project execution, and to familiarize them with Fund procedures, especially those relating to procurement, disbursement, reporting, and auditing.

Provisions for unsatisfactory progress should be specified in the award contract; the project proponent should be made aware of penalties for poor performance. The Fund should apply mitigative and punitive measures in case of serious misuse of funds by project proponent, e.g. halting payments, recouping payments with interest, fines, etc.

4.7. Project Completion and Evaluation Procedures

One or more of several events may constitute formal “completion” of a project: expiry of the award contract; when the outputs described in the contract have been established; when the funds awarded have been spent; when the climate benefits envisioned in the contract have been realized. Ultimately, the Fund is interested in achieving the impacts defined in the Fund’s Spending Strategy and project document with its support. It therefore has a strong interest in considering a project “completed” only once the envisioned climate benefits materialize. However, from a practical point of view, this is often difficult to do as many projects generate benefits that are intangible or time-delayed. Given this, the Fund may need to define “completion” of a project differently according to the type of project and include the terms for project completion in the award contract.

Whichever definition the Fund chooses for a given project, the Fund (Operations Department) shall prepare a Project Completion Form when the Fund's involvement with a project has terminated (see sample project completion form in Annex 5). The main purposes of the Project Completion Form are to:

- Document the achievement of the project's outputs at the time of its completion, compared to the planned outputs as described in the project document (including the provision of project indicator data and information showing the actual climate, environmental, economic and social impacts of the project, as well as a review of ex-ante risks);
- Assess the need for possible further Fund assistance after completion of the project;
- Contribute to the accumulation and dissemination of experience, and;
- Provide a basis for determining whether an evaluation study is warranted.

The project results compiled in the Project Completion Form shall also serve as a basis for the Fund's reporting obligations, e.g. to relevant authorities, the public, etc. and via media such as the annual report, the Fund’s website, public media (press, etc.).

The Project Completion Form shall be based on the following information:

- Project document;
- The award agreement;
- Project progress reports;
- Other evaluations or declarations about the project (e.g. from relevant authorities).

Project evaluation is a systematic examination of the design, preparation, implementation and results of a completed project (or a completed phase of an on-going project). Project evaluations are undertaken to investigate the fulfilment and relevance of the project objectives as well as the efficiency and impact of the project. A project evaluation shall be usually performed by an expert or teams of experts provided by the Fund’s Independent Evaluation Unit, or, ad interim, experts procured by the Operations Department. Evaluation experts shall not have been involved with the project during any of its previous phases to ensure an objective and independent view.

The Project Completion Form prepared by the Fund provides some of the information that a full project evaluation would require and gives recommendations regarding the need for a full evaluation. A project evaluation requires, however, significant additional resources.

The Fund should consider having evaluation studies prepared for particularly large projects, for especially innovative projects or in cases where major problems occurred during implementation. The completed Project Completion Form shall give an indication of whether this may be useful. The Fund's Independent Evaluation Unit shall receive a copy of all project completion forms. Project evaluations can be an important management tool for the Fund as a more systematic way of learning from experience. It is the Fund's responsibility to promote the effective utilization of lessons learned. The results and recommendations of Project Completion Forms and Evaluation Studies shall be incorporated in the decision-making process for future projects and for revision of policies and procedures in general. It is important to disseminate both positive and negative experience. Successful and innovative projects shall serve as a model for other projects and the Fund shall encourage the sharing and dissemination of relevant experience through the Fund's website and reports. The experience from less successful projects should always be disseminated internally to the Fund employees, so as to continuously improve their project cycle management capabilities.

Prior to the establishment of the Independent Evaluation Unit, the Board shall adopt Terms of Reference of this Unit and add these Terms of Reference to the Operational Manual.

4.8. Project-at-Risk Management System

The Board may develop and adopt a dedicated Project-at-Risk Management System.

4.9. Results Management Framework

The Fund shall implement the Results Management Framework used by the Green Climate Fund as published on the Green Climate Fund website. Since the Green Climate Fund's Results Management Framework may be changed and further developed over time in line with good international practice, the Framework is not included in the present Operational Manual.

In the following cases the Board can decide to adapt the GCF Results Management Framework on a case by case basis:

- An entity that provides financial resources to the Fund requires a results management system that is incompatible with the GCF Results Management Framework;
- The Board wishes to use additional indicators to measure the performance of Fund support which are not included in the GCF Results Management Framework.

4.10. Project Cycle Management Software

The Board may develop and adopt standards for a dedicated Fund project cycle management software.

5. Environmental and Social Safeguards Policies

The Board may develop and adopt dedicated Fund Environmental and Social Safeguards Policies to ensure that the projects the Trust Fund supports have a minimal environmental and social impact. Until dedicated policies are in place, the Fund shall ensure that all projects and programs supported financially by the Fund comply with adopted Virgin Islands environmental and social impact legislation and policy, including the requirements of the Physical Planning Act, 2004.

6. Outreach and Communications

6.1. Fund Communications Strategy

The Board may develop and adopt a Fund Communications Strategy.

6.2. Minimum requirements for Annual Reports

The Fund produces, publishes and widely disseminates each year an Annual Report. All requirements stipulated in the Fund Act apply. Main objectives of the Annual Report include:

- Widely disseminating important information about the Fund and its activities to build general awareness of its existence, objectives, principles, priorities, opportunities, limitations, ambitions, etc.;
- Building awareness and support for climate change investments, including the Fund's role in such investment, targeted at the public as well as more specific audiences;
- Building awareness and informed interest among stakeholders and prospective clients of the Fund, as well as potential new partners, including multilateral and bilateral foreign partners;
- Contributing to increased transparency and accountability in the Fund's operations and, in so doing, to demonstrate the value of the Fund as an effective tool of climate change policy and efficient administrator of public funds.

The information in the Annual Report should be written, designed and presented such that it:

- provides a fair and accurate view of the Fund's activities in the period.
- is easily and readily comprehensible (i.e. not too technical, not too difficult to understand, but still detailed and complete);
- is visually attractive and holds the reader's interest (e.g. using attractive graphics, designs, pictures, and other elements).

The Annual Report should be designed in a professional manner, whereby the corporate design and identity of the Fund is fully implemented. Paper and design should be of high quality and attractiveness satisfying also sustainability considerations (made from environmental friendly materials, etc.). In order to achieve this, the Fund may use the services of external, professional, specialized design/production companies.

The structure and contents of the annual report includes:

- Front Cover
- Mission Statement
- Table of Contents
- Abbreviations, acronyms and exchange rates
- Prefaces (Chairperson of Board, Fund CEO)
- Chapter 1: Introduction to the Fund
 - Chapter 1.1: Role and objectives of the Fund
 - Chapter 1.2: Fund organization
- Chapter 2: The Fund's Operations
 - Chapter 2.1: Main operational policies of the Fund
 - Chapter 2.2: Revenues and expenditures of the Fund (incl. graphs/data)
 - Chapter 2.3: Projects supported by the Fund in the reporting period
- Chapter 3: Achievements of the Fund
 - Chapter 3.1: Impact of the Fund interventions in support of climate change policy, including environmental, economic and social impacts of interventions
 - Chapter 3.2: Promotion, public outreach and capacity building activities of the Fund
 - Chapter 3.3: Institutional developments within the Fund
- Chapter 4: Working with the Fund
 - Chapter 4.1: Getting relevant information and know-how from the Fund
 - Chapter 4.2: Applying for support from the Fund: relevant procedures
- Chapter 5: Future Plans for the Fund
- Chapter 6: Financial statement, reports and plans; auditor's report; fiduciary standards applied
- Chapter 7: Contacting the Fund

Below, the suggested contents of each of these chapters are discussed in more detail.

Front cover

The suggestion is to introduce already on the front cover the “main theme” of the report. The theme would then be continued throughout the report. The front cover includes at least the report title, including year and reporting period, as well as the name and logo of the Fund.

Mission statement

The mission statement includes a brief statement that summarizes the primary reason(s) for the Fund's existence. The mission statement could be presented on an entire page, in order to properly emphasize the statement.

Abbreviations, acronyms and exchange rates

A reference to actual or annual average exchange rates should be included if currencies other than the local currency are used in the report. A list of abbreviations/acronyms used in the report should be included.

Prefaces

Prefaces could be included from both the Chairperson of the Board and the Fund's CEO. The Prefaces could, for example, focus on key achievements and challenges of the Fund in the reporting period. In addition, important lessons learned by the Fund in the reporting year could be discussed, as well as new partnerships created and important changes planned for the Fund's operations in the following year.

Chapter 1.1: Role and objectives of the Fund

It is important to briefly outline the specific role of the Fund as a policy instrument, as well as its specific role in the domestic and international climate financing market. Issues which could be mentioned here include for example:

- The Fund vis à vis other policy instruments:
 - how the Fund reinforces other policy instruments;
 - the Fund does not substitute budgetary support for regular activities/responsibilities of public administration institutions;
 - the Fund's spending policy is closely related to national and international climate change policy and other relevant policies and regulations.
 - Etc.
- The Fund vis à vis other financing institutions: briefly list and describe other institutions providing finance in the areas where the Fund is operationally active.
- Mention that the Fund applies key financing principles:
 - Additionality (brief explanation what it means in the Fund's practice);
 - Leveraging (brief explanation what it means in the Fund's practice);
 - Co-financing (brief explanation what it means in the Fund's practice).

There should also be a brief discussion of why the Fund (or, subsidization) is needed at all, i.e. what the justification is for the Fund's existence in this respect. The Fund's role in fostering economic/green growth through modernizing the economy and mainstreaming innovative technology and products could also be highlighted.

Further, a summary of the Fund's main objectives according to the legislation regulating the Fund could be included.

Main milestones of the history of the Fund could also be included.

Chapter 1.2: Fund organization

This section should include a graph that details the Fund's institutional organization.

Further, the section should contain a brief overview on key decision-making and governance procedures within the Fund (main responsibilities of the Board, the Fund CEO, and Departments of the Fund). There should be references to the legal basis of the Fund and additional information related to governance (e.g. include respective Fund website link).

Then the names, photos and email addresses of all Management and Board members and all Fund staff should be included.

Chapter 2.1: Main operational policies of the Fund

A summary of the Fund's Long-Term Investment Strategy could be added (see section 2 of OM), including:

- The purpose of the Long-Term Investment Strategy (including: how the Fund plans to achieve longer term objectives; ensuring applicants' confidence in the continuity of the Fund's support; clear definition of the role of the Fund vis-à-vis other policy tools and financing institutions; etc.).
- The priority longer term spending areas of the Fund;
- The estimated budget allocation and proposed financing/investment strategy for achieving the proposed goals in each of these priority spending areas.
- The specific role and niche of the Fund as a financing instrument in each of these priority spending areas (incl. strategy to contribute to increasing market-based finance in each area).

Then, a summary of the Fund's Annual Budget/Operational Plan could be added, including a short explanation on how the Annual Operational Plan is linked to the Long-Term Investment Strategy.

Then the priority spending areas of the Fund in the reporting year would be discussed, including the more detailed priorities for each priority spending area or project types within a priority spending area. For each of these priority areas the following information should be provided:

- The types of financing products the Fund offered, as well as the main conditions attached to these financing products for each of the priority areas.
- A reference to chapter 4.2 of the Annual Report "Applying for support from the Fund: relevant procedures" should be included, which contains more detailed information on: financing, eligibility and appraisal criteria applied by the Fund, procedures for public tendering and the Fund's "Project Cycle Management Policy".

Additional operational policies could be summarized too such as the Fund's business plan, code of ethics, disclosure policy, environmental and social management and safeguards strategy, etc.

Chapter 2.2: Revenues and expenditures of the Fund (incl. graphs/data)

In the Annual Report, it will be important to show detailed information and data on the Fund's revenues and expenditures. Data for the reporting year and estimates for the following year are essential and should be shown in tabular and graphic form in the Report. Data for earlier years could be shown in certain cases to allow for comparison with current data and to show longer term trends. Data and graphs should be accompanied by explanatory text to highlight key trends and results. The following types of data and information should be included:

Table 6.4: Reporting templates for Fund revenues and expenditures

Fund annual revenues according to source of revenue			
Revenue Source	Reporting Years		
	[prev. year] [currency] actual values	[reporting year] [currency] actual values	[next/current year] [currency] estimated values
Unspent funds from previous year			
Government budget allocations			
International cooperation agreement with [add one line for each bi-/multilateral source]			
Financial operations and interest on bank deposits			
Other revenue sources [add line for each source]			
Total annual revenues			
Notes : [Add here any explanations and methodological notes]			

Fund climate expenditures according to spending area			
Expenditure category	Reporting Years		
	[prev. year] [currency] actual values	[reporting year] [currency] actual values	[next/current year] [currency] estimated values
Climate change mitigation			
- add one line for each sub-area			
Climate change adaptation			
- add one line for each sub-area			
Biodiversity and Protected Areas			
- add one line for each sub-area			
Education, research, awareness			
Total climate expenditures			
Notes : [Add here any explanations and methodological notes]			

Fund climate expenditures according to type of beneficiary			
Expenditure category	Reporting Years		
	[prev. year] [currency] actual values	[reporting year] [currency] actual values	[next/current year] [currency] estimated values
Public institutions on national level			
Public institutions on local level			
Large companies			
Small and medium sized companies			
NGO's, non-profits			
[add line for each additional beneficiary]			

category]			
Total climate expenditures			
Notes : [Add here any explanations and methodological notes]			

Fund climate expenditures according to financial product/instrument			
Expenditure category	[prev. year] [currency] actual values	Reporting Years [reporting year] [currency] actual values	[next/current year] [currency] estimated values
Direct grants			
Add line for each additional financial product			
Total climate expenditures			
Notes : [Add here any explanations and methodological notes]			

Fund climate expenditures according to investment regions			
Expenditure category	[prev. year] [currency] actual values	Reporting Years [reporting year] [currency] actual values	[next/current year] [currency] estimated values
National			
Region 1			
Region 2			
Region 3			
Capital city			
Total climate expenditures			
Notes : [Add here any explanations and methodological notes]			

Fund administrative expenditures			
Expenditure category	[prev. year] [currency] actual values	Reporting Years [reporting year] [currency] actual values	[next/current year] [currency] estimated values
Compensation of Board members			
Salaries of Fund staff			
Social security contributions for Fund staff			
Insurances for staff, equipment, property			
Administrative expenses [stationary, literature, software, mail, telephone, etc.]			
External advisors/consultants			
Purchase of new equipment			
Taxes			
Bank fees			
Add line for each additional category			
Total administrative expenditures			
Notes : [Add here any explanations and methodological notes]			

Note that all tables refer to Fund expenditures for climate projects, except for the last table, which refers to Fund administrative expenditure. Totals of climate expenditure and administrative expenditure should equal the Fund's total annual expenditures.

Chapter 2.3: Projects supported by the Fund in the reporting period

A list of all projects supported by the Fund during the reporting period should be included in the Annual Report. The following project details should be included in tabular form (below example on spending priority area No 2, mitigation – same table should be included eventually for all spending priority areas):

Table 6.5: Reporting template for projects supported by the Fund

Projects supported by the Fund in [year] in spending area 2: Climate change mitigation								
Project title	Contractor	Project location	Project duration	Total Fund contribution [currency]	Total project costs [currency]	Other contributors in the project (where possible)	Financing product offered by the Fund	Expected main impact
		Municipality / region	Mon/Year-Mon/Year			Agency 1: x% Agency 2: x%	Grant	
		Municipality / region	Mon/Year-Mon/Year			Agency 1: x% Agency 2: x%	Grant	
etc.								

As an additional way for reporting on supported projects and creating a very high level of transparency in allocating Fund resources, a one-page data sheet for each supported project will be added in an annex to the Annual Report. The following information could be included for each project: project code, project title, summary information on the beneficiary and the contractor (incl. name and email address of contractor), summary financial data (total investment costs and total support provided by the Fund; type of financing instrument offered by the Fund, e.g., direct grant, interest rate subsidy etc.), project objective, detailed information on climate change, environmental, economic and social benefits/impacts (to be) achieved by the project.

Chapter 3.1: Environmental, economic and social impacts of Fund support in the reporting period

Chapter 3.1 should contain aggregate data on actual results and impacts of projects supported by the Fund in the reporting period. For mitigation, this could for example include:

- Tons of carbon dioxide equivalent (tCO₂eq) reduced as a result of Fund-supported projects/programmes
- Cost per tCO₂eq decreased for all Fund-supported mitigation projects/programmes
- Amount of finance leveraged by Fund funding, disaggregated by public and private sources;

- Other indicators and narrative in line with relevant categories of the Fund's investment and results management framework (see section 4.9 of the present Operational Manual)

Such data and information will have to be derived from relevant project documents of all supported projects during the reporting period (e.g., information and indicators contained in project application forms, project appraisal forms, award contracts and project completion forms).

To the extent possible, the information should be presented in the form of data and facts, rather than descriptions or estimations of impacts. To the extent possible, standardized indicators should be used to present the information, whereas indicator data from individual projects will have to be aggregated for an entire priority spending area. Whenever possible, comparison of such indicators with the same indicators of previous years should be added to show and discuss trends.

In addition to these data/indicators, in this chapter (or alternatively in text boxes throughout the Annual Report) project summaries could be added of:

- Especially successful projects (be it for their impact, cost efficiency, effectiveness, job creation, or any other outstanding feature).
- Projects which allowed for the successful demonstration of new, innovative technology.
- Projects and programmes which allowed for successful mainstreaming of innovative technologies and products.
- Development of new markets and growth industries due to Fund support in the reporting period.

Chapter 3.2: Promotion, public outreach and capacity building activities of the Fund

In this chapter, the Fund's activities in training, capacity building, promotion and outreach could be summarized, including for example:

- Training organized by the Fund, e.g., training workshops focused on project preparation.
- Other capacity building efforts implemented by the Fund, both in-house and for Fund stakeholders.
- Promotional activities implemented by the Fund in the reporting period including for example: promotion of the Fund on national and international levels, expert presentations provided by the Fund at conferences and meetings, specific advice given by the Fund, etc.
- As regards outreach, major achievements in setting up, updating or extending the Fund's website or any other informational material could be mentioned.
- A summary of stakeholders meetings or any other conferences and workshops organized by the Fund during the reporting period could be added.

Chapter 3.3: Institutional development of the Fund

This chapter would include a summary of activities and achievements of each department of the Fund (without duplicating information contained elsewhere in the Annual Report). Specific

achievements regarding development of internal policies and procedures, cooperation with other institutions, implementation of measures leading to higher organizational or staff productivity, implementation of measures leading to higher staff motivation, etc. could be mentioned here.

Chapter 4.1: Getting relevant information and know-how from the Fund

In this chapter, instructions are provided on how to obtain relevant information from the Fund, including:

- Anybody may be interested to obtain general information on the Fund which goes beyond the information provided in the Annual Report, including for example, more detailed information on operational policies, job opportunities at the Fund, detailed financial statement, information on founding legislation/regulations of the Fund, opportunities to cooperate with the Fund (e.g. project proponents, technology providers, domestic financial institutions, foreign partners, etc.), more details on individual projects supported by the Fund, etc. A list with the easiest way to obtain the information for each of these types of requests could be added, containing either the respective website address, or, if not made available on the Fund's website, the name of the responsible employee of the Fund.
- Potential project proponents may be interested to receive instructions on how to obtain detailed application documentation and/or detailed information on the application and appraisal process. For this, the relevant website address should be added which allows for downloading the "Fund application pack".
- Organizations or individuals who are interested in financially supporting the Fund should find guidance to basic information on respective modalities and contacts. The Fund should also provide such information on the Fund's website.

Chapter 4.2: Applying for support from the Fund: relevant procedures

This chapter should provide for an easy to understand, but still complete, summary of the Fund's procedures from the point of a project idea of the project proponent until closure and possible evaluation of the supported project by the Fund. This will be useful information for any potential project proponent. The following information should be included:

- A summary of basic eligibility criteria applied by the Fund.
- A summary of the Fund's project cycle management, including:
 - A summary of the Fund's main procedures for project procurement/tendering.
 - A summary of the appraisal and selection processes applied by the Fund.
 - A summary of the approval process and minimum contract requirements.
 - A summary of regular requirements during project implementation and after project finalization (Results Management Framework, compulsory Fund-internal project completion procedures, possible external evaluation)
 - A summary of the Fund's project-at-risk management system

- It should be clearly mentioned that projects which do not comply with the Fund legislation, Annual Operating Plan, the Fund’s Triennial Investment Strategy and the Fund’s project cycle management procedures, cannot be supported by the Fund.
- The relevant links and addresses to obtain the “Fund application pack” should be added.

Chapter 5: Future Plans for the Fund

While previous chapters of the Annual Report contained information on the Fund’s role and organization, its operations and achievements during the reporting period as well as work methods of the Fund, this chapter should be forward looking. This can be achieved by:

- Discussing recent and expected political developments, including changes in relevant legislation and policy, developments in international climate change policy, etc. In so doing the Fund should be careful to remain politically neutral.
- Discussing new technological developments observed domestically and abroad which impact the operations of the Fund.
- Describing expected developments in the “operational environment” of the Fund (external factors), including developments in relevant sectors of public and commercial finance. The focus could be on major developments in other financing institutions involved in financing those types of projects, which are eligible for Fund support (e.g., the emergence of more market-based or commercial financing mechanisms which could lead to a gradual reduction of the Fund’s engagement in these areas).
- Including an assessment of major challenges or problems confronting the Fund and its operations, including outline of proposed strategies to deal with such issues.
- Information on any planned new Fund policies or procedures (or, change/update of existing policies and procedures).

Chapter 6: Financial statement, reports and plans; auditor’s report; fiduciary standards applied

This chapter should include:

- the auditor’s report on the statements and accounts prepared by the auditor, including any qualifications to the true and fair nature of the accounts;
- the internal auditor’s report on the controls in place and compliance with these controls in the relevant year;
- the Fund’s audited financial statements and accounts of the Trust for the financial year to which the report relates, including a detailed profit and loss account, balance sheet, cash flow and notes and in line with the International Financial Reporting Standards; and,
- schedule of related party transactions (if any).

Chapter 7: Contacting the Fund

This chapter would include the Fund’s contact details and the Fund’s internet address.

6.3. Minimum requirements for the Fund website

This section includes an initial outline of the Fund's interactive website. Over time, the initial website concept will likely evolve and additional content may be implemented.

Basic considerations for the Fund website concept include:

- The Fund website structure should be based on what different types of website visitors (target groups) would likely want to find in a quick and efficient manner ("customer friendliness"). Target groups include primarily: 1) potential project proponents; 2) Fund authorities; 3) policy makers; 4) individuals and institutions who contribute financially to the Fund; 5) public and media; 6) other foreign partners; 7) other domestic financing institutions active in the Fund's priority spending areas; 8) technology providers; 9) environmental/climate NGOs; 10) environmental experts, consultants, researchers and advisors. All these target groups have their specific interests and the website should be designed such that each target group quickly finds the desired information on the Fund's website.
- The proposed website should include a significant amount of information, covering all major aspects of the Fund. In this way, the Fund's website will become one of the Fund's main communication channels with its various target groups and stakeholders. This will replace and/or facilitate much of other channels of communication (mail, telephone, meetings etc.) which should help save time and expenses, even if costs of setting up and maintaining the proposed complex website are taken into account. In addition, as nowadays the internet can be accessed by virtually all stakeholders of the Fund, the proposed approach will significantly contribute to the transparency and accountability of Fund operations.
- The website should be updated regularly, ideally on a weekly basis. In order to inform the website reader about the status of the website, each webpage could state the date on which the page was last updated.
- The Fund may choose to outsource the design and development of the initial website to a professional company. If the design and development of the initial website is outsourced, it should also be duly considered that the website can be easily updated and further developed by relevant Fund staff in the future (no dependencies to the external contractor e.g. due to complicated internet technologies applied, etc.).
- The website should have a short and logical domain name which is easy to remember for both domestic and foreign stakeholders. The domain name should be in line with the Fund's corporate identity.
- The Fund's corporate identity should also be fully implemented in the design and implementation of the website.
- The website domain and individual webpages should be regularly submitted to main web search engines (Google, Yahoo, etc.) so that the website is ranked prominently if an internet user searches for the website using a search engine.
- Webpage counters and the collection of website usage statistics should be implemented, but not necessarily be made visible on the site. Such data will allow for a continuous evaluation of how the website is used and help to determine how it can be further improved.

The contents and structure of the Fund's initial website are outlined below.

Homepage

The homepage is the page that is seen most and usually first. It is therefore important to give special consideration to the homepage content. The following elements should be included on the homepage:

- A very brief welcome statement.
- A summary of Fund's purpose and mission.
- The Fund's logo and address.
- Links to different language editions of the website, if necessary.
- The navigation bar (menu). Note that the menu should appear on each webpage.
- Links to the most important documents (e.g., "Fund application pack", current annual report, current annual and long term spending strategy, Fund legislation, etc.).
- Important new, link to the News webpage.
- Footer with links to pages such as "feedback & contact", "terms & conditions" of website use, "site map", Fund contact info (address, telephones, email), etc. Note that such footer should be added to each webpage.

Additional webpages of the website

The following initial website structure and webpage contents should be implemented:

Table 6.6: Outline of the initial Fund website

Menu point	Page contents	Responsible for content
Home		
About the Fund		
Welcome statement	Welcome statements from the Fund CEO and the Chairman of Fund Board.	Office of the CEO
Role, legal basis	Overview of role, niche and objectives of the Fund. The Fund's organogram. Link to legislation and regulations governing the Fund.	Office of the CEO
Strategy	A summary of the Fund's short and long term spending strategies and business plan, incl. links to full documents.	Operations Department
Board	Names and affiliations of Board members. Link to download Board meeting agendas and reports.	Office of the CEO
Secretariat/contacts	Names, email address and job positions of Fund staff.	Office of the CEO
Links	Includes a list of links to external websites of all major stakeholders of the Fund.	Office of the CEO
News	Latest announcements and news. An archive of news and reports published previously on the website. Downloadable promotional material produced and made available by the Fund.	Office of the CEO
Calls, procurement		

Menu point	Page contents	Responsible for content
Calls for proposals	Includes all relevant information on the Fund's current public calls for projects, including Links to downloadable tender files.	Operations Department
Procurement	Includes all relevant information on the Fund's open procurement notices. Links to downloadable tender files and procurement policy. Include a section with summary information on awarded contracts in recent tenders (tenders carried out in the current business year).	Operations Department
Uninvited project applications	Information, including downloadable files covering all relevant policies, documents and forms needed for preparing an uninvited project application. Link to the page "open public tenders".	Operations Department
Frequently asked questions	A list of most common questions of project proponents. Phone numbers and email addresses of Fund staff for further questions. A summary of co-financing options promoted by the Fund, if at all.	Operations Department
Fund impact		
Achievements	Main climate change, environmental, social and economic impacts achieved by projects financed by the Fund in the current and previous year. Includes publication of continuously updated standard aggregated impact indicators in line with the Fund's Results Management Framework.	Operations Department
Annual reports	Links to all Fund annual reports published so far.	Office of the CEO
Awarded projects	Link to the list of all projects awarded by the Fund in the current and previous business years.	Operations Department
External assessments	Summary of recent external assessments/reviews of the Fund, if at all.	Office of the CEO
Contributions	Informs potential Fund contributors about making contributions to the Fund and includes information on relevant regulations and agreements, as well as a form to contact the Fund.	Office of the CEO
Complaints	Include the separate telephone number and email address of the Independent Integrity Unit of the Fund for reporting alleged misconduct and violations. Include a complaints form. Summary of complaints policies. Link to download policies.	Independent Integrity Unit of the Fund

7. Human Resources Policy

Main principles

The Human Resource Policy shall be in keeping with the Virgin Islands Labour Code.

The Fund requires for its operations highly qualified, dedicated and motivated staff with various skills. In order to attract, recruit, motivate and retain such staff, the Fund will seek to provide competitive terms and conditions of employment and will be guided by fair, impartial and transparent policies and practices in the management of its staff.

The staff salaries and benefits will be maintained at competitive levels based on the salary scales of comparable institutions established in the Virgin Islands. Salaries will be administered in a manner that is both equitable and transparent to all staff.

The employment, promotion and assignment of staff will be made without discrimination on the basis of sex, race, nationality or religion subject to domestic legislation on the employment of foreign nationals.

The Fund will provide staff with employment conditions consistent with the terms of their appointment, their satisfactory performance and conduct, and the efficient administration of the Fund.

The Fund will not condone or tolerate any form of harassment. The Fund CEO will develop and implement appropriate rules to address and sanction any form of harassment.

The Fund will reward staff according to performance, length of service and other relevant factors.

Annually, the Fund will review the work of staff in order to obtain the most effective use of their services and expertise, recognize their achievements, and identify their training and development needs.

The Fund will seek to maintain excellence of performance and will actively assist staff in upgrading their skills and broadening their experience in different functional areas. The Fund will ensure that career development is an integral part of staff administration.

The Fund will seek to accord full and fair opportunities to eligible staff to compete for promotion to higher levels and for filling vacancies as they occur. Selection for promotion will be competitive, based on specified criteria and relative merits of eligible staff, and will be in accordance with established procedures to determine the most suitable candidate to be appointed.

The Fund CEO will closely consult with the Staff Council (see below), or in the absence of a Staff Council, staff representatives before proposing any new Human Resources policies to the Board.

Where grievances arise, staff members with fixed-term contracts will be entitled, without fear of reprisal, to request an administrative review, or, as an ultimate recourse, elevate such grievance to the Board whose decision will be binding on the Fund and the concerned staff member.

The Fund will defend staff and former staff against claims brought against them by third parties as a result of acts performed in their official capacity, provided that such acts were within their authority and they were acting in good faith and in accordance with the legislation and Operational Manual of

the Fund. In appropriate cases, the Fund will indemnify the staff or former staff for reasonable and necessary legal expenses and judgments and settlements arising from such claims.

Recruitment and appointment of staff

The Fund will hire appropriately qualified and experienced staff with various skills, based on their qualifications and competences, through a transparent selection process and in line with relevant provisions of the Fund legislation.

The Fund will take all necessary action to preclude that its recruitment practices involve nepotism, conflicts of interest or other inappropriate practices.

Selection of qualified candidates will generally be competitive, based on specified capability criteria and relative merits of shortlisted candidates and in accordance with established procedures to determine the most suitable candidate.

Unless the Fund legislation stipulates otherwise, the Fund CEO will manage the staff selection, appoint the staff and sign employment contracts on behalf of the Fund. All staff appointments will be subject to a probationary period, the duration of which will be determined in the letter of appointment and in accordance with domestic legislation on the employment of labour.

Unless the Fund or other applicable legislation stipulates otherwise, all staff, irrespective of their level and type of appointment, will be accountable to the Fund CEO. The Fund CEO may terminate the appointment of staff, if circumstances so warrant, in accordance with the Labour Code.

Gender balance

Subject to the paramount consideration of securing the highest level of efficiency and competence, the Fund will always strive for equitable gender balance among its staff.

Staff Council

The Fund's staff members will be free to form a Staff Council and elect representatives to foster consultation and close cooperation among the staff, and between the staff and the Management, and to promote the aims and objectives of the Fund as well as to safeguard staff members' rights, interests and welfare in keeping with the Virgin Islands Labour Code and other relevant regulation.

Human Resources Management

Upon appointment, the Fund Human Resources Manager shall develop detailed human resources management procedures which are in line with the Fund's Human Resources Policy, the Fund Act, the Fund Operational Manual (including the Code of Conduct included in section 8.1), as well as applicable domestic legislation and practice. The procedures shall be approved by the Fund CEO and adopted by the Fund Board. The procedures shall be based on domestic practice and cover the following areas in detail:

- Employee recruitment;
- Training;
- Disciplinary measures and procedures;
- Rules for promotions and termination of employment;
- Succession planning;
- Health and safety procedures;

- Employee compensation (payment of salaries, social security, payroll tax and NHI; consideration of supplemental insurance);
- Pension plans.

8. Code of Ethics and Disclosure Policy

8.1. Code of Conduct

The Fund will require Board and staff members to conduct themselves at all times in a manner befitting their status as Directors and employees of the Fund. They will be expected to maintain the highest ethical standards, with a high degree of integrity and concern for the Fund's interests, and to avoid situations and activities that may reflect adversely on the Fund, compromise its operations, or lead to real or perceived conflicts of interest. The Code of Conduct of the Fund's Board and Staff is set forth below. The Fund Board Chairperson and CEO may impose disciplinary measures on staff members whose conduct contravenes this Code. All Board and staff will be required to give in their work due consideration to cost efficiency and effectiveness and should make every effort to minimize the environment and climate change-related impacts of their actions.

Upon appointment, each Board and staff member will subscribe in writing to the Affirmation, set forth below:

Affirmation

"I solemnly affirm that:

I will carry out my responsibilities to the best of my ability in a manner that furthers the purpose of the Fund;

I have read and understood the CCTF Act and Fund's Operational Manual and agree to abide by them and any additions or alterations to them that may be issued from time to time;

I will accept no instruction with regard to the performance of my duties from any authority external to the Fund."

Definitions

For the purposes of this Code of Conduct:

(a) "Immediate family" means spouse, child, mother, father, brother or sister;

(b) "Board members" means all members of the Virgin Islands Climate Change Trust Fund's Board of Trustees;

(c) "Staff members" means all staff regardless of the type of appointment;

(d) "Unpublished information" means any information which has not been publicly released pursuant to the provisions of the Information Disclosure Policy.

Application

This Code applies to all Board and staff members and, where so provided, to the immediate family of Board and staff members. Where this Code affects the interests and activities of the immediate family of Board and staff members or requires disclosures pertaining to them, Board and staff members must make appropriate inquiries and use their best efforts to secure compliance with this Code by, and in respect of, their immediate family members. Board and staff members must make any disclosures that may be required by this Code to the best of their knowledge following such inquiries.

General principles of conduct

Status of Board and staff and propriety of action: In the discharge of their functions, Board and staff members owe their duty entirely to the Fund and to no other authority, and must avoid any action,

and in particular any kind of pronouncement, which may reflect unfavourably upon their position as employees of the Fund. They should always bear in mind the reserve and tact incumbent upon them by reason of their function, and exercise the utmost discretion with regard to official business matters.

Disclosure of information

Disclosure of information and its use for private advantage

Except in the course of their official duties and with express authorization, Board and staff members may not:

- (a) Communicate any unpublished and/or confidential information known to them by reason of their official position to any person within or outside the Fund who they know or should know is not authorized by the Fund to receive such information; or
- (b) Use, or allow the use of, unpublished and/or confidential information known to them by reason of their official position with the Fund to private advantage, directly or indirectly, or for any interest contrary to the interests of the Fund.

In complying with the above obligations, which continue after ceasing Board membership or employment with the Fund, Board and staff members must scrupulously observe the rules and procedures established by the Fund to protect unpublished and/or confidential information.

Publications and public speaking

Except in the course of their official duties and with express authorization, Board and staff members during the term of their appointment or service may not:

- (a) Publish, cause to be published, or assist in the publication of any book, pamphlet, article, letter or other document relating to the policies or activities of the Fund or on any national political questions;
- (b) Deliver any speech or presentation, broadcast through radio, television or other electronic media or hold press conferences or grant press interviews on such policies, activities or questions in relation to the policies or activities of the Fund; or
- (c) Speak on behalf of the Fund or state its policies as a participant in any seminar or conference.

Authorization

Authorizations referred to above are given in writing by the Chairperson of Board or Fund CEO or Fund staff designated by the Fund CEO.

Political and external activities and interests

Board and staff members may exercise their political rights, but must refrain from participation in political activities that may interfere or conflict with their duties or their status as Board and staff members. Board and staff members must not hold public office or appointment that, in the Fund's opinion, is incompatible with the proper performance of their official duties, and must obtain the prior approval of the Chairperson of Board or Fund CEO in respect of any such office or appointment. If a Board and staff member accepts appointment to any national public office of a political character or accept a nomination for such an office, the Board or staff member must immediately resign from the Fund.

Business affiliations and private activities

Private activities

Except with prior approval by the Chairperson of the Board or Fund CEO, Board and staff members must not hold private employment or engage in any occupation or own or operate any business that, in line with the Fund Act and in the Fund's opinion, is incompatible with the proper performance of their official duties. Moreover, unless approved by the Chairperson of Board or Fund CEO, Board and staff members must not serve as a director, officer or partner of any such entity. Such approval will not be required with respect to services performed as a director or officer of a charitable, social or religious entity.

Previous association and prospective employment

Board and staff members must not exercise any responsibility with respect to a Fund transaction involving a former employer or a prospective employer of that Board and staff member as:

- (a) A recipient or beneficiary of Fund's financing, investments or guarantees;
- (b) A guarantor of any such financing; or
- (c) A supplier of goods or services to the Fund, except as authorized by the Fund CEO.

Subsequent employment

Except with the authorization of the Fund CEO, former staff members who have ceased employment with the Fund may not, within two years from the date on which they ceased employment with the Fund, perform services for any other entity or person, in respect of any matter in which the Fund has an interest or to which the Fund is a party and in which the staff member participated personally and substantially while at the Fund.

Prohibition of benefits from the Fund's transactions

Neither Board nor staff members nor members of their immediate family shall accept benefits, favours or gifts from sources external to the Fund with respect to any Fund transaction, whether by way of compensation, commission, favourable buying or selling arrangements, gift, employment or otherwise.

Board or staff members or their immediate family members who find themselves in circumstances that make it difficult to refuse any such benefit, favour or gift, must consult the Chairperson of the Board or Fund CEO.

Internal gifts

Giving or accepting gifts among Fund's Board or staff members is not allowed if intended to serve the purpose of obtaining or exchanging a favour or influencing other Board or staff members' performance of official duties or responsibilities. In particular, the conduct of supervisors must be free from intimidation or favouritism and, except as provided below, any solicitation or acceptance by supervisors of favours, gifts or loans from Board or staff members as well as offers of favours, gifts or loans by staff members to supervisors is prohibited.

On an occasional basis, and in accordance with tradition and culture, Board or staff members may give gifts or contributions for an event of personal significance such as a marriage, birthday, childbirth, illness, or death; festive occasion; or occasion of movement or departure. Voluntary group contributions for food and refreshments to be shared at the office as well as personal

hospitality at home or at other places such as a restaurant as is customary among friends and colleagues and not disproportionate under the circumstances, are not considered gifts for the purpose of this paragraph.

Medals, decorations or similar honours

Board or staff members and former Board or staff members may not accept medals, decorations or similar honours from any institution or person external to the Fund, for services rendered on behalf of the Fund during the period of their appointment or service with the Fund. Board or staff members who find themselves in circumstances that make it difficult to refuse or decline any such medal, decoration or honour must consult the Chairperson of Board or Fund CEO. On a case to case basis, the Chairperson of Board or Fund CEO shall allow for exceptions where such medal, decoration or honour is customary in the domestic setting and a person is to be honoured by Government or community groups for significant contributions made to the Fund or institutions of national significance.

Disclosure of financial and business interests

In accordance with Section 27 of the Fund's Act, a Board or staff member must promptly disclose to the Chairperson of Board or Fund CEO, any financial or business interest that he/she or an immediate family member has, which might reflect unfavourably on the Fund, or which might be in actual or perceived conflict with his/her duties. Upon such disclosure, the Board or staff member must refrain from exercising any responsibility as a Board or staff member that might affect such interest, except as otherwise directed by the Chairperson of Board or Fund CEO.

In the event the Fund has reason to believe that a Board or staff member or an immediate family member has engaged in conduct or entered a transaction prohibited under this Code, such Board or staff member may be required to provide to the Fund a certified statement of relevant financial and business interests and to use best efforts to provide a comparable statement in respect of immediate family members.

Sanctions

Board or staff members who fail to comply with their obligations shall be subject to disciplinary procedures and sanctions for unsatisfactory conduct or misconduct, including the possibility of termination or summary dismissal, if warranted by the gravity of the misconduct in question.

Annual declaration of compliance

Board or staff members are required to submit an annual declaration of compliance in the first quarter of each year or as directed by the Chairperson of Board or Fund CEO. Newly-appointed Board or staff members must submit an annual declaration of compliance within 90 days of their appointment or as otherwise directed by the Chairperson of the Board or Fund CEO.

8.2. Information Disclosure Practice

Guiding principles

The Fund will ensure the greatest degree of transparency in all its activities through effective dissemination of information to stakeholders and the public at large, and public participation in the Fund's operations. The Fund will apply a presumption in favour of disclosure for all information and documents relating to the Fund and its funded activities. All documents in the Fund's possession subject to disclosure as per the present Information Disclosure Practice, will be released on the Fund's website or through other appropriate means, or be provided on request, to provide the public with a clear picture of the Fund's work and the way it administers financial inputs received from public and private sources.

Categories of information not to be disclosed include personal information, such as personal communications of Board members, advisers, staff, consultant and business partners; information relating to safety and security that, if disclosed, would endanger the life, health, or safety of any individual, or the environment; privileged and investigative information, including legal opinions; third-party information given to the Fund in confidence and accepted as such, including private sector entities' proprietary information; deliberative information, including draft documents (work in progress) unless such disclosure is needed to facilitate public consultations; and certain financial information that, if disclosed, would prejudice the financial or commercial interests of the Fund and its activities. A comprehensive negative list, including categories of information not to be disclosed, shall be formulated by the Fund CEO.

As a general rule, any policy or strategy which is developed by the Fund will, to the extent not covered in this document, articulate the disclosure requirements for information and documents required to be produced under that policy or strategy. These disclosure requirements must be consistent with the guiding principles defined above.

Disclosure categories and timing

As a matter of principle, the Fund will share most of the information in its possession with stakeholders and the public at large, either pro-actively or on request, subject to specified exemptions to presumed disclosure. The timing of disclosure of the different types of information will vary, based on the nature of information. The main categories of information that will be made publicly available include, but should not be limited to:

Fund information

Organizational and institutional information, available on the Fund's website and including information as defined in sections 6.2 and 6.3 of the present Operational Manual.

Information regarding the Board

Board meeting documents and official minutes will be posted on the Fund's website no later than two weeks after a Board meeting, except for Board documents classified as confidential, as the Board may decide. Draft documents with limited distribution to Board members are generally not disclosed except if the Board decides otherwise or if special circumstances so warrant (e.g. to facilitate public consultations on a Fund's policy). Other documents submitted to the Board will be disclosed on the Fund's website, unless they contain confidential information which, if disclosed, may cause prejudice to the Fund or related parties.

Independent Evaluation Unit, Independent Integrity Unit and Independent Redress Mechanism information

Once established, an Independent Evaluation Unit will assess the results of the Fund, including selected funded activities and its effectiveness and efficiency, as directed by the Board and CEO. The results of the periodic evaluations, including lessons learned, will be shared on the Fund's website.

Once established, an Independent Integrity Unit will investigate allegations of fraud and corruption in coordination with relevant counterpart authorities. The Fund will then post on its website annual reports of the Independent Integrity Unit upon their completion, including summary information on investigations and significant recommendations and issues arising from investigations. The Fund may then also share the results of investigations with relevant counterpart authorities.

Once established, an independent redress mechanism will receive complaints relating to the operations of the Fund and will evaluate them and make recommendations. The Board will then define disclosure provisions regarding the independent redress mechanism.

Funding activities

The Fund will disclose on its website and in its Annual Reports comprehensive information and documents relating to all its funding activities and financed projects as detailed in sections 6.2 and 6.3 of the Operational Manual.

Private sector entities information

Exceptions to the general principle of presumed disclosure may be invoked where there is a need to protect the legitimate interests of private companies that deal with the Fund, in order to avoid harm to the business and competitive interests of such entities. The Fund will ensure that business confidentiality is maintained and will not disclose to the public any proprietary, legally privileged or commercially sensitive information produced or received by the Fund in dealing with private sector entities.

Information to and from other stakeholders

The Fund will disclose a wide range of information and documents to the public and key stakeholders according to the guiding principles outlined in section 6 of the Operational Manual. However, the Fund will keep confidential any information and documents received from external parties that are marked as confidential and accepted as such.

Requests for information

The Fund will respond in an adequate and timely manner to external requests which may be submitted via an online request form on the Fund's website, by mail or fax. In responding to external queries, the Secretariat will either provide the requested information or document expeditiously, referring the requester to the relevant link on the Fund's website whenever possible, or a legitimate reason why the information cannot be given, based on the exceptions to disclosure defined by the Fund. If a requester believes that a request for information has been unreasonably denied, a complaint may be submitted to the Fund CEO or Independent Redress Mechanism. The CEO or Independent Redress Mechanism will then make appropriate arrangements for impartial review of the complaint.

Practical guidelines to handle and manage confidential and other information

Upon appointment, the Fund Deputy Director, in cooperation with the Manager responsible for Finance, Administration and Legal Issues shall develop detailed, practical guidelines how confidential and other information shall be managed when received, used and in some cases circulated. Such guidelines shall be based on domestic good practice and comply with domestic legislation. The guidelines will be effective once approved by the Fund CEO and Board. The guidelines shall also contain practical provisions and solutions as to what documents should be kept; how long documents will need to be kept; how documents will be stored; when and how documents will be archived. The guidelines shall be aligned to relevant provisions of sections 4, 5, 9 and 11 of the present Operational Manual.

9. Financial Management

9.1. Financial Management and Accounting

Upon appointment, the Manager responsible for Finance, Administration and Legal Issues shall oversee the development of administrative guidelines regarding accounting, budgeting and auditing. These administrative guidelines will be endorsed by the Board and promulgated by the CEO. The CEO operates under the guidance of, and is accountable to, the Board that exercises oversight. The guidelines shall be based on and satisfy relevant provisions contained in the Fund Act and domestic good practice in accounting, budgeting and auditing. The guidelines shall also be compatible with international good practice in accounting, budgeting and auditing. The accounting and budgeting guidelines shall be based on the principles included in sections 9.1.1 and 9.1.2.

9.1.1 Administrative budget

The financial period of the administrative budget will cover one year from 1 January to 31 December or such other period as may be determined by the Board.

The CEO will prepare and submit a budget proposal for the following financial period allowing enough time for the Board to consider and approve it.

Approval of the budget by the Board will constitute an authorization to the CEO to incur expenditures and make disbursements up to the approved amount, subject to availability of resources. The Board may reallocate funds among line items as needed, within the overall budget for the financial year.

The CEO will determine the level of delegation within the Secretariat to implement and control the respective budget allocation of discretionary expenses, namely budgets for consultancy, travel, and representation.

Staff and benefit costs will be administered and centrally managed by the relevant organizational unit of the Secretariat, together with recruitment costs.

If required during the financial period, the CEO may propose a supplementary budget for the consideration and approval of the Board.

9.1.2. Accounting system

The International Financial Reporting Standards shall be used as the Fund's accounting standard. The CEO will put in place appropriate internal control mechanisms to ensure clarity, transparency and accuracy of accounting and budget management.

In line with Section 9.1.1, a budget will be approved for utilization within a particular year and utilization will include funds actually disbursed and commitments. For commitments, the accounting concept of accruals will be applied in compliance with sound accounting principles.

Appropriate rules for depreciation, considering useful life and method adopted, will be developed by the Secretariat and agreed with the External Auditor.

The Secretariat will prepare budget utilization reports and year-end adjustments.

The accounts will be subject to audit by the External Auditors appointed by the Board.

The CEO will submit to the External Auditor the accounts for the financial period no later than 31 March following the end of the financial period.

The CEO will submit the audited financial statements for each financial year to the Board, as well as the External Auditor's audit observations, during the first half of the following year.

9.2. Internal and External Audit

Upon appointment, the Manager responsible for Finance, Administration and Legal Issues shall oversee the development of administrative guidelines regarding accounting, budgeting and auditing. These administrative guidelines will be endorsed by the Board and promulgated by the CEO. The CEO operates under the guidance of, and is accountable to, the Board that exercises oversight. The guidelines shall be based on and satisfy relevant provisions contained in the Fund Act and domestic good practice in accounting, budgeting and auditing. The guidelines shall also be compatible with international good practice in accounting, budgeting and auditing.

The auditing guidelines shall be based on the following principles:

The administrative operations and financial management of the Fund will be audited regularly by external audit to ensure that the Fund's resources and operations are managed in an effective and efficient manner. In addition, the CEO will take all necessary actions to establish and implement effective internal controls.

The internal and external auditors will strive to be reliable advisers to the Board and the CEO, enabling cooperative governance guided by shared values to sustain a harmonious environment that embraces integrity, objectivity, accountability, transparency and pursuit of excellence.

The Fund may establish an Audit and Ethics Committee (AEC). When established, the Audit and Ethics Committee will assist the Board in carrying out its responsibilities as they relate to matters such as the Fund's financial reporting and audits, including internal controls. Ad interim, AEC functions as detailed below shall be carried out by the Internal Auditor and the Board.

The Ethics and Audit Committee (ad interim, the Internal Auditor), in consultation with the CEO, will make recommendations to the Board on the appointment of an External Auditor to audit the annual financial statements of the Fund and ascertain their accuracy, provide opinions and suggest improvements. The External Auditor, who will be operating according to internationally accepted audit standards, will report to the Ethics and Audit Committee (ad interim, to the Board) directly, as appropriate, and will endeavour to consult the CEO, as appropriate, during the audit operations.

The CEO will make the necessary arrangements to facilitate regular internal audit and controls in the Secretariat and will establish an independent internal audit to oversee the daily operations, to ensure that the controls designed to manage risks and efficient use of resources are implemented effectively, and to suggest improvements in the effectiveness of risk management and control processes. Internal audit reports directly to the Board.

The External and Internal Auditor (as well as the AEC, once established) will have full and unrestricted access to information and records relating to all Fund activities. They will be authorized

to examine all files, records, data and any other materials relating to the Fund's business, as and when deemed necessary.

The auditors will remain free from influence or interference as to the objective and scope of their terms of reference, the frequency and timing of their audits and the content of their audit report.

The terms of reference of the External Auditor will be developed by the Secretariat and approved by the Board on the recommendation of the Ethics and Audit Committee (ad interim, the Internal Auditor). The following elements shall be used in the terms of reference.

Minimum requirements for terms of reference of external auditors

Scope of services required by the Fund

The External Auditor shall audit the financial statements (FS) of the Fund in accordance with the International Standards on Auditing (ISAs). The FS include the statement of financial position (including the Fund's assets and liabilities), the statement of activities (including the Fund's income and expenditures), the statement of movements of net assets and the statement of cash flows, together with explanatory notes and schedules supporting the FS. The audit of the statement of financial position includes those funds held in trust, if applicable. The Fund's income and expenditures include both the administrative budget as well as all of its programmatic income and expenditures.

The ISAs are professional standards for performing an audit of financial information. These standards are issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB).

The External Auditor may make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls and the general administration and management of the Fund.

The Board and/or the Ethics and Audit Committee (ad interim, the Internal Auditor) may request the External Auditor to perform certain specific examinations and issue separate reports on the results.

The audit reports will be reflected in the Board's annual reports.

Terms of reference of the External Auditor

The Fund's External Auditor will be appointed by the Board of the Fund.

The External Auditors will report to the Board and the AEC (ad interim, the Internal Auditor) on an annual basis.

The External Auditors of the Fund should be an internationally recognized public accounting firm. The following technical criteria should be considered in evaluating the capabilities of the audit firm:

- (a) Experience in auditing entities similar to the Fund which report in accordance with International Financial Reporting Standards;
- (b) Number of partners and professional staff; partner/staff ratio, ability to substitute staff at similar levels of qualifications and experience if necessary;
- (c) Firm specialities that may be useful to the Fund;
- (d) Types of clients/sectors, number of large clients and client spread;

- (e) Feedback on performance from other clients;
- (f) Actual and perceived independence

Evaluation of incumbent external auditors

The Board, through the Ethics and Audit Committee (ad interim, the Internal Auditor), will evaluate the performance of the External Auditors every three years. This evaluation supports the decision to renew the engagement in the years between Board-approved cycles of rotation.

In evaluating the performance of External Auditors, the Ethics and Audit Committee (ad interim, the Internal Auditor) will consider:

- (a) Communications with the AEC and the Internal Auditor;
- (b) Planning and conduct of the assignment;
- (c) Scope of the external audit;
- (d) Composition and experience of the external audit team;
- (e) Maintenance of independence;
- (f) Recent or imminent changes to the firm that may have an impact on its relationship with the Fund in the future;
- (g) Efficiency and quality of the reports of the External Auditors;
- (h) Potential conflicts of interest if the incumbent External Auditors are also the External Auditors of entities the Fund cooperates with. The external audit firm must disclose any conflict of interest.

Changes to the appointment of external auditors

The rules of professional conduct relating to the resignation and removal of External Auditors are designed to protect the interests of the Fund.

The Fund's External Auditors may resign with a written notice of resignation. In order to be effective, the notice should include a statement of any circumstances connected with the resignation.

Within 14 days of receipt of a notice of resignation, the Fund's Secretariat must send a copy of the notice to the Ethics and Audit Committee (ad interim, the Internal Auditor). The External Auditors may request the Board to permit them to speak at any Board meeting which will consider the FS of the Fund of any given year being audited by the external auditor who resigned.

The authority for the removal of External Auditors rests solely with the Board.

Should the External Auditor position become vacant before the expiry of the term, the Board will, in consultation with the Ethics and Audit Committee (ad interim, the Internal Auditor), appoint another External Auditor to fill the vacancy.

In selecting an External Auditor, the Fund should conduct a competitive process that is in accordance with a pre-established set of selection criteria.

Rotation of External Auditors

The Fund's External Auditors will serve two three-year annual audit assignments. The rotation of auditors means that auditors are engaged to undertake a maximum of six annual financial statement audits, and thereafter another auditor should be appointed through competitive bidding.

Prohibited non-audit services

The External Auditor shall not perform the following non-audit services for the Fund:

- (a) Bookkeeping;
- (b) Financial information system design and implementation;
- (c) Internal audit services;
- (d) Management functions or human resources-related services;
- (e) Legal services and expert services unrelated to the audit;
- (f) Any other services the AEC determines not to be permissible.

9.3. Control, Oversight and Investigation

Background

Effective internal controls are the foundation of safe and sound fund channelling institutions. A properly designed and consistently enforced system of operational and financial internal controls helps the Fund's Board and management safeguard the Fund's resources, produce reliable financial reports, and comply with laws and regulations. Effective internal control also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

The Board and senior management cannot delegate their responsibilities for establishing, maintaining, and operating an effective system of internal control. The Board must ensure that senior management regularly verifies the integrity of the Fund's internal controls.

Although internal control and internal audit are closely related, they are distinct from each other. Internal control is the systems, policies, procedures, and processes effected by the Board, management, and other personnel to safeguard Fund assets, limit or control risks, and achieve the Fund's objectives (the present policy defines these). Internal audit provides an objective, independent review of Fund activities, internal controls, and management information systems to help the Board and management monitor and evaluate internal control adequacy and effectiveness.

The Internal Audit Unit (IAU) will assess and draw conclusions about the adequacy of the Fund's internal control during every supervisory cycle (supervisory cycles are defined by the Audit and Ethics Committee - ad interim, the Board - based on the proposal of the IAU). This assessment will include validation, including some level of verification or testing, when necessary.

This policy discusses the characteristics of effective controls and will help the IAU and senior management assess the quality and effectiveness of internal controls. It also describes the IAU's supervisory process for internal control reviews and the roles and responsibilities of the Board and management.

Internal Control Objectives

Effective internal control provides senior management and internal auditors reasonable assurance that:

- Fund operations are efficient and effective.
- Recorded transactions are accurate.
- Financial reporting is reliable.

- Risk management systems are effective.
- The Fund complies with prevailing laws and regulations, internal policies, and internal procedures.
- The Fund remains independent and has sufficient controls in place to identify and remove any actual or perceived conflicts of interest.

The control systems included in the present policy can help Fund managers measure performance, make decisions, evaluate processes, and limit risks. Good internal control can help the Fund in achieving its objectives and avoid surprises. Effective control systems may detect mistakes caused by personal distraction, carelessness, fatigue, errors in judgment, or unclear instructions in addition to fraud or deliberate noncompliance with policies. Effective and well-designed control systems are still subject to execution risk. In other words, human beings still must execute most control systems and even well trained personnel with the best of intentions can become distracted, careless, tired, confused or simply make an error.

Internal control must be consistently applied and well understood by Fund staff if Board and management policies are to be effectively implemented. Controls typically:

- Limit authorities;
- Safeguard access to and use of records and Fund assets;
- Separate and rotate duties; and
- Ensure both regular and unscheduled reviews, including testing.

IAU Internal Control Supervision

Evaluating internal control is fundamental to the IAU's overall supervisory process. The IAU's internal control assessments, along with its assessments of the Fund's audit programs, help leverage IAU resources, establish the scopes of other examination activities, and contribute to developing strategies for future supervisory activities. Internal auditors will base the scope, type, and depth of an internal control review on the complexity, scope of activities, and risk profile, as well as on the IAU's assessment of the Fund's audit functions.

Supervisory Principles

When reviewing the Fund internal controls, internal auditors should remember the following:

Integration. Internal auditors (IAs) should integrate and coordinate internal control reviews with the supervisory activities for other examination areas, especially the audit area. Core assessment standards and other tools, such as internal control questionnaires (ICQs), can help the IAs assess and document conclusions about individual examination areas. These tools also help internal auditors incorporate their findings and conclusions into an overall internal control assessment.

Analysis. The IAs review and analyse available information to identify systemic control issues, to gauge changes in the Fund's control environment and overall risk profile, and to evaluate controls in general. Useful sources of information include management discussions, organization charts, procedural manuals, operating instructions, job specifications and descriptions, directives to employees, flow charts, operating losses incurred by the Fund, and internal and external audit

reports, management letters, and other control and risk assessment materials. These materials will assist internal auditors in reviewing the Fund's operating systems and procedures.

Communication. The IAU staff will maintain ongoing and clear communications with Fund personnel. The internal auditor-in-charge should have periodic meetings with Fund personnel or other bodies closely associated with risk control functions (e.g., audit or risk committees, risk managers, control officers, auditors). While this degree of contact may not be practical, meetings with control personnel should occur as frequently as necessary. Communication regarding the IAU's internal control supervision and findings should occur throughout an examination or supervisory cycle. Examination reports and other written communications to the Fund will include comments about the adequacy of the Fund's control functions and summarize other appropriate findings and conclusions.

Documentation. Internal auditors should prepare documentation in the form of work papers. Work papers, which may be in paper or electronic form, must contain essential information to support conclusions about the evaluation of internal control. The level of detail should be commensurate with the risks facing the Fund and provide an audit trail that supports examination conclusions. The IA should generate and retain only those documents necessary to support the scope of the review, significant conclusions, ratings changes, or changes in risk profile. The IA can reproduce or excerpt readily available Fund information and incorporate the information in the examination work papers to avoid duplication of effort.

Supervisory Process and Validation

During every supervisory cycle, the IAU will assess the adequacy of the Fund's internal control as *strong*, *satisfactory*, or *weak*. The IA should begin their control assessment by reviewing the work of the Fund's internal audit or other control review functions, generally as part of pre-examination planning. The IA should make a preliminary assessment of internal control reliability and identify control problems, areas of potential or high risk, and areas not recently reviewed. That assessment will influence how much validation work internal auditors will perform during supervisory activities. Validation encompasses inquiry, observation, and testing as appropriate, of the Fund's control systems. How thoroughly an internal auditor validates internal control for a specific examination area depends on how much supervisory concern he or she has about that area. Generally, internal auditors begin with a discussion with the Fund's CEO or other person responsible for control management to gain an overall understanding of and insight into the Fund's control system. As warranted, the IA perform independent verification or testing of internal control integrity if substantive issues surface that raise questions about the adequacy or effectiveness of the control systems. Internal auditors will use the internal audit procedures as the starting point in scoping control audit work. Internal auditors may supplement those core assessment procedures with the more detailed expanded procedures included in the "Internal and External Audits" section.

Internal Control Evaluation

Evaluating internal control involves:

- Identifying the internal control objectives relevant to the Fund and its departments;
- Reviewing pertinent policies, procedures, and documentation;
- Discussing controls with appropriate levels of Fund personnel;
- Observing the control environment;

- Testing transactions as appropriate;
- Sharing findings, concerns, and recommendations with the Board and senior management; and
- Determining that the Fund has taken timely corrective action on noted deficiencies.

In reviewing internal control in a specific area within the Fund, an internal auditor should identify key control personnel and positions by asking the following questions:

- Is this a critical position? Can a person in this position make a significant error that will result in the inaccurate recording of transactions? Can he or she enter false information or gain control of assets?
- If an error or irregularity occurs, would normal controls promptly disclose it? Would controls prevent or detect significant errors or irregularities?
- Is it possible for a person to conceal an error or irregularity, and are there controls in place to minimize this possibility?

Primarily, the internal auditor's concern is with Fund personnel who have influence over financial records and access to assets. Persons in these positions could be involved in information processing (computer programmers) or expenses and investment activities. Once those positions have been identified, the internal auditor must determine whether internal controls will either prevent errors and irregularities or uncover them promptly. One example of such controls is the requirement that employees in key or influential positions be absent two consecutive weeks each year.

Internal auditors should ensure that employee duties and responsibilities are properly segregated to minimize the possibility of errors and irregularities. For example, in the expenses and investment area, the following duties should be strictly segregated: executing expenses transactions, approving transactions, accessing expenses record keeping, and posting or reconciling related accounting records. Internal auditors should investigate any activity in which controls do not prevent persons from having both custody and record keeping responsibilities for Fund assets and determine whether mitigating factors exist. Segregation of duties can break down when controls do not keep pace with the Fund's growth and diversification, practices become lax, or personnel use their knowledge or influence to circumvent control.

Before reaching conclusions about a specific area's internal control, internal auditors must consider circumstances that may cause Fund employees or officers to take undue risks. The internal auditor should be especially alert to circumstances in which the personal financial interests of key officers or employees depend directly on the financial condition of the Fund. Sound internal control ensures that conflicts of interest are minimized or controlled. Both manifest and potential conflicts of interest should be considered in the overall assessment of internal control.

In addition, the internal auditor should be alert to deviations by Fund personnel from established policies, practices, and procedures. Such deviations may exist when:

- Instructions and directives are not reviewed and revised regularly to reflect current practices.
- Employees use shortcuts to perform their tasks, circumventing internal control procedures.

- Changes in organization or activities are not reflected in policies or procedures.
- Employees' duties are changed significantly in ways that may affect internal control policies.

Internal Auditors should report deviations, along with an assessment of their significance, to the internal auditor-in-charge. The proliferation of computer systems and personal computers requires increased controls over computer operations. Because the Fund depends on computers, embezzlement or misuse of funds is often a computer crime. The list of persons whose computers have access to assets or financial records can often be long; it includes computer operators, programmers, their supervisors, and others. The Fund should impose sophisticated controls not only on mainframe operations but also on the systems and records maintained on computers, local area networks (LANs), and wide area networks (WANs). Controls on these systems are of paramount importance; internal auditors should refer to the IT Support.

Board and Management Oversight

The hallmark of a positive control environment is a commitment by the Board and senior management to strong controls. The Fund's Board and management are responsible for establishing and maintaining effective internal control that meets statutory and regulatory requirements and responds to changes in the Fund's environment and conditions. They must ensure that the system operates as intended and is modified appropriately when circumstances dictate. The Board and management must make sure that the Fund's information systems produce pertinent and timely information in a form that enables employees, auditors, and internal auditors to carry out their respective responsibilities.

The Board, which oversees the control system in general, approves and reviews the business strategies and policies that govern the system. They are also responsible for understanding risk limits and setting acceptable ones for the Fund's major business activities, establishing an effective organizational control structure, and making sure that senior management identifies, measures, monitors, and controls risks and monitors internal control effectiveness. The Board should:

- Discuss periodically the internal control system's effectiveness with management;
- Review internal control evaluations conducted by management, auditors, and internal auditors in a timely manner;
- Monitor management's actions on auditor and internal auditor internal control recommendations and concerns; and
- Periodically review the Fund's strategy and risks.

Once established, the Board may delegate these duties and responsibilities to the Audit and Ethics Committee. The AEC must then report their findings to the Board on a six monthly basis.

Senior management oversees operations and provides leadership and direction for the communication and monitoring of control policies, practices, and processes. They implement the Board's strategies and policies by establishing effective internal controls and delegating or allocating control duties and responsibilities to appropriate personnel. Management is also responsible for performing background checks on staff members before they are hired and ensuring that they are qualified, experienced, trained, and compensated to effectively conduct control activities.

The Board and management must consider whether a control system's methods, records, and procedures are proper in relation to the Fund's:

- Asset size;
- Organization and ownership characteristics;
- Business activities;
- Operational complexity;
- Risk profile;
- Methods of processing data;
- Legal and regulatory requirements.

The Board must ensure that management properly considers the risks and control issues of emerging technologies, enhanced information systems, and electronic system. These issues include: more users with access to information systems; less segregated duties; a shift from paper to electronic audit trails; a lack of standards and controls for end-user systems; and, more complex contingency planning and recovery planning for information systems.

Investigation

General principles

The Internal Audit Unit of the Fund is responsible for conducting investigations.

The IAU is the initial point of contact and investigative office for allegations of integrity violations involving Fund-related activities or Fund staff.

"Integrity violation" is any act which violates the Fund's Anti-Corruption Policy, including corrupt, fraudulent, coercive, or collusive practices, abuse, conflicts of interest, and obstructive practices, as defined herein.

"Fund-related activity" includes a Fund-financed, administered or supported activity, or any activity that materially affects or may affect or otherwise be relevant to the Fund.

Integrity violations that the IAU might investigate include:

- A corrupt practice, which is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
- A fraudulent practice, which is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- A coercive practice, which is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
- A collusive practice, which is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party;

- Abuse, which is theft, waste, or improper use of assets related to Fund-related activity, either committed intentionally or through reckless disregard;
- A conflict of interest, which is any situation in which a party has interests that could improperly influence that party's performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations;
- An obstructive practice, which includes (i) deliberately destroying, falsifying, altering, or concealing of evidence material to a Fund investigation; (ii) making false statements to investigators in order to materially impede a Fund investigation; (iii) threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or (iv) materially impeding the Fund's contractual rights of audit or access to information;
- Violations of Fund sanctions;
- Other violations of the Fund's Anti-Corruption Policy, including failure to adhere to the highest ethical standards; and
- Retaliation against whistleblowers or witnesses, which is any detrimental act, direct or indirect, recommended, threatened or taken against a whistleblower or witness, or person associated with a whistleblower or witness, in a manner material to a complaint because of the report or cooperation with a Fund investigation by the whistleblower or witness, which shall be investigated in accordance with the whistleblower policies.

Investigations may include attempts to commit any integrity violations.

Allegations of misconduct by Fund staff involving integrity violations or retaliation against whistleblowers or witnesses will be investigated by the IAU in accordance with these policies.

The IAU may investigate other misconduct, pursuant to the request of the Audit and Ethics Committee (ad interim, the Board) or Admin Department.

The purpose of an investigation by the IAU is to examine and determine the veracity of allegations of corrupt or fraudulent practices as defined above including with respect to, but not limited to, projects financed by the Fund, and allegations of misconduct on the part of the Fund's staff members.

The IAU shall maintain objectivity, impartiality, and fairness throughout the investigative process and conduct its activities competently and with the highest levels of integrity.

In particular, the IAU shall perform its duties independently from those responsible for or involved in operational activities and from staff members liable to be subject of investigations and shall also be free from improper influence and fear of retaliation.

The IAU staff shall disclose to a supervisor in a timely fashion any actual or potential conflicts of interest he or she may have in an investigation in which he or she is participating, and the supervisor shall take appropriate action to remedy the conflict.

Disclosure of conflicts of interests shall be made to the Chief Audit Executive (CAE), IAU, or his/her designee promptly upon discovery and before any investigative action is taken. Conflicts involving the CAE, IAU shall be disclosed to the Audit and Ethics Committee (ad interim, the Board). Any action to manage the conflict of interest shall be in writing. Actions to address conflicts of interest may

include, but are not limited to, exclusion from an investigation, and limits on access to case records and information.

Appropriate procedures shall be put in place to investigate allegations of misconduct on the part of any staff member of the IAU. Reports of allegations of a suspected integrity violation or misconduct of managerial staff in the IAU or Admin Department can be made directly to the AEC (ad interim, the Board). Reports of allegations of a suspected integrity violation or misconduct of any AEC member can be made to the Chairperson of the Board. Reports of allegations of integrity violations by other staff, consultants, or contractors may be made directly to the AEC (ad interim, the Board).

If the results of an investigation indicate that any bidder, consultant, contractor, supplier, or other third party committed an integrity violation, the IAU will take all reasonable steps to present its findings and recommended sanction to the subject, and allow the subject an opportunity to respond. When contacting parties, the IAU may rely on the accuracy of contact information the party has represented to the Fund. While the IAU will undertake all reasonable efforts to contact the subject party or parties, failure to reach a party, despite such efforts, shall not prevent the Fund from sanctioning the party.

When presenting its findings to any subject entity, the IAU will notify the entity that the Fund may impose a remedial action on the entity's principals and other associated or related parties. The IAU will also notify and present its findings and recommendations directly to such principals and associated or related parties on which remedial action may be imposed.

The parties shall be given the opportunity to respond to any allegation and evidence against them. The IAU may withhold particular evidence or information if there is a reasonable basis to conclude that revealing the evidence or information might endanger the life, health, safety, or well-being of any person or entity, including whistle-blowers, or is otherwise sensitive or confidential.

The parties shall be given a reasonable period, which generally shall be no less than thirty (30) calendar days following receipt of the findings and recommended sanction, within which to submit written materials presenting its response together with evidence, if any. Upon request and for good cause shown, the IAU may grant reasonable extensions to this deadline.

The subject may also request to be allowed an opportunity to make oral representations to the IAU, providing specific reasons for its request.

If a subject refuses to receive a notice from the IAU, or receives a notice but fails to respond, the IAU will draw an adverse inference from such refusal or failure, and this refusal or failure may be considered as an aggravating circumstance.

The IAU will re-evaluate a case upon receipt of any response, and may conduct further investigation and/or request additional information from the subject.

If investigative findings indicate that an official of a government agency committed or was engaged in an integrity violation, the IAU will report its findings to Management. The IAU will work with Management and operational departments to assess ways that the Fund may respond pursuant to the Anti-Corruption Policy and other Fund rules, policies, and procedures.

If investigative findings indicate that a Fund staff member committed an integrity violation or other misconduct and the IAU concludes that the AEC (ad interim, the Board) should consider disciplinary action under HR policies, the IAU will report its findings to AEC (ad interim, the Board). The AEC (ad

interim, the Board) will be solely responsible for the disciplinary process through the HR policies, although the IAU may advise and support AEC (ad interim, the Board) throughout any disciplinary process.

Where a bidder, consultant, contractor, supplier, or any other third party is found by the IAU to have committed an integrity violation, disputes the IAU's investigative findings or recommended sanction, or when there is no response to the findings, the IAU shall provide the AEC (ad interim, the Board) a report of its investigation, supported with all relevant documentation, including the party's response to the findings if any. The AEC and Board shall then follow up on the report in line with the AEC Charter (ad interim, Board guidance).

Where the party responds to the IAU's investigative findings and recommended sanction, and does not dispute the findings or recommended sanction, the IAU may determine that the Fund imposes sanctions approved by the AEC (ad interim, the Board).

9.4. Audit and Ethics Committee Charter

The Board may adopt an Audit and Ethics Committee (AEC) Charter. Ad interim, the prospective functions of the AEC will be carried out by the Internal Auditor and the Board.

9.5. Procurement Manual

9.5.1. Purpose of Manual

This manual directs the procurement process for consultants, goods, services, and works on behalf of the Fund. All procurement activities are to be undertaken in compliance of the procurement practices and procedures set forth in this Manual as well as all related Fund policies and procedures, including among others environment and safeguard policies, fiduciary standards and procedures.

9.5.2. Objectives of the Manual

Principles: To establish best practice and clearly state the standards and expectations which apply to all Fund staff and executing entities involved in procurement processes;

Procedures: To document a user-friendly and common sense process to be followed by Fund staff and other executing entities when undertaking procurement on behalf of Fund; and

Outcomes: To provide transparent, impartial, and defensible procurement practices that will ensure that Fund always expends public and donor funds efficiently and effectively to receive best value and in accordance with best practices.

9.5.3. Procurement Principles

Fund procurement principles help ensure that value for money, quality of goods procured, transparency, impartiality, competency, clarity, and socially and environmentally responsible purchasing decisions are consistently made by the Fund.

9.5.3.1. Procurement Basics and Exceptions

Procurement is the acquisition of consultancy services, goods, non-consultancy services, or works from an external source. All Fund procurement activities will be conducted in accordance with this manual, with the following exceptions:

1. Individual travel purchases: Procurement will be sourced by providing at least 3 quotes for prices and itineraries for each travel from known suppliers, with evaluations submitted to the officer with delegated authority for approval.
2. Donor-directed procurements: Where Fund has a procurement role under a contract with a donor who requires certain donor procurement procedures to be followed; the Fund will follow the donor procedures in preference to its own. This procurement process will require endorsement by the Fund CEO.
3. Project funding that specifies a preferred supplier: Where the Fund is obliged by a funding contract to procure services from a specified supplier; no additional procurement process is required. This procurement process will require endorsement by the Fund CEO.
4. Partnership Agreements: Where there are pre-existing MOUs or similar association agreements between the Fund and its partners, and where the Fund agrees for the partner to carry out work under the terms of such existing agreements, including MOUs, no additional procurement process is required.
5. Retainer Agreements: Where the Fund has previously entered into a retainer agreement with a supplier using appropriate competitive procedures that have established, at the minimum, the qualifications and reputation of the supplier, price structure, general scope of services and terms of reference contemplated, and the ability and willingness of the supplier to respond to requests from the Fund, no additional procurement process is required so long as the services currently sought are consistent with the procedures and retainer agreement in place for that supplier. Authorized Fund staff shall maintain appropriate records of the competitive process used to select a supplier from the list of suppliers with current retainer agreements in force at the time the selection is made.

All exceptions to the provisions of this Procurement Manual shall be well documented with careful and comprehensive notes to justify the exceptions. The relevant agreements that led to the exceptions should be attached, if available.

9.5.3.2 Application and Accountability

The Fund CEO is accountable for all organization procurement decisions. While the Fund CEO may delegate his/her authority to staff and other delegated entities, he/she remains ultimately accountable for all Fund procurement decisions. Senior staff are accountable to the Fund CEO for all procurement responsibilities delegated to them. This includes oversight and ensuring staff reporting to them are aware of Fund's procurement manual and procedures.

The Fund's Procurement Officer is responsible for the overall management of the procurement process.

9.5.3.3 Value for money

The guiding principle of the procurement process is that the Fund must obtain 'value for money' in a fair and transparent manner. Each procurement process must evaluate the relative costs and benefits of the available options to ensure that the Fund obtains the maximum benefit from the acquired goods and services within the time frames and resources available. The best value for money option is not always the cheapest option. To achieve value for money, the Fund requires staff involved in a procurement process to canvass potential suppliers, follow endorsed procedures, apply

predefined selection criteria, and make sound and impartial judgments. This will help ensure that the Fund procured services deliver the highest quality of outputs within the available budget and time-frames.

9.5.3.4 Transparency

Fund staff involved in procurement processes must fully document their procurement processes and conclude with a written contract containing all agreed terms and conditions. This will ensure transparency, ensure all potential suppliers have equal access to all relevant information, and enable the Fund's procurement decisions to stand up to internal and external scrutiny.

9.5.3.5 Impartiality

Procurement procedures must treat potential suppliers fairly and in a non-discriminatory manner. All candidates must have equal access to identical information, and receive impartial consideration following common rules and deadlines. Fund staff must answer all enquiries about procurement, in a prompt and polite manner, but also in a way that ensures no potential supplier gains an unfair advantage. Answers to all procurement related enquiries will be made in writing either in email or in letter, and made publicly available to all potentially interested parties at a predetermined time identified in the call for tender documents.

Fund staff involved in procurement processes must behave ethically, and are required to declare conflicts of interest at all times.

9.5.3.6 Clarity

To ensure certainty and to avoid confusion, the standards and duties relating to a procurement process must follow those documented in this procurement manual and include:

- Thresholds: the procurement value will pre-determine which procurement procedure to use;
- Criteria: standards for evaluating tenders and awarding contracts will be articulated and documented before tenders are published and the evaluation criteria and any weighting made available to all potential suppliers; and
- Responsibilities: the composition and duties of the associated evaluating committee will be clearly documented.

9.5.3.7 Social and Environmental Responsibility

The Fund's Environmental and Social Management Policy sets out the Fund's commitment to ensuring that the best possible environmental and social impacts of its work are achieved. When planning, approaching the market, and evaluating tenders, Fund Officers should consider:

- Whether there are any standards (whether legislative, or industry best practice) or certifications that the product or service should meet;
- Whether there are environmentally or socially responsible options within the market that should be encouraged or could be prioritized; and
- Whether, upon procuring the goods or services, there are potential adverse social and/ or environmental impacts that could result from the delivery and/or operation of that goods or services.

9.5.4. Procurement Process

9.5.4.1 Selection of Appropriate Procurement Process

The procurement type adopted will be dependent on the estimated costs of the procurement and any other conditions related to the procurement. Estimate the maximum anticipated cost of the procurement, based on the specifications and research – including options, extensions, renewals or other mechanisms that may be executed over the life of the contract. The options available in the Fund procurement process are summarized in table 9.1 below.

9.5.4.2 Establishment of a Tender Evaluation Committee

Before the start of the procurement process, an Evaluation Committee is to be established for each procurement. The composition of the Evaluation Committee shall be identified by the Requesting Officer in consultation with the Procurement Officer and endorsed by their Manager(s) according to the following:

- Tender - above USD 300'000 - Approval by the Fund CEO
- Tender – USD 50'001 to USD 300'000 - Approval by the Fund CEO
- Tender – USD 10'001 to USD 50'000 - Approval by Deputy Director
- Tender equals/below USD 10'000 – Approval by the Task Manager

9.5.4.3 Appointment and Composition of the Tender Evaluation Committee

Appointment:

The person making the request, or the Requesting Officer, in consultation with the Procurement Officer draws up a list of potential nominees for the evaluation committee. The Procurement Officer ensures that there is a wide representation on the committee and considers the gender mix. Requesting Officers are allowed on the evaluation team as observers in exceptional cases. In cases where the Requesting Officer needs to be involved in the evaluation such as to ensure technical compliance, the Requesting Officer will be involved in the technical and not the commercial evaluation process. The composition of the evaluation committee is to be approved by the Deputy Director or Fund CEO.

Tender Committee members are appointed by Fund management, comprising of a non-voting chairperson, and an odd number of voting members (the evaluators). The evaluators should have the technical and administrative ability to give an informed opinion on the tenders. Their identity is confidential. All Evaluation Committee members must attend all meetings. Any absence must be recorded and explained in the evaluation report. Evaluation Committee members must control and document their contacts with potential suppliers, and recognize, identify, and address any actual or perceived conflicts of interest.

Composition:

The Evaluation Committee usually consists of three to five voting members, depending on the nature, complexity, and value of the procurement activity. There should also be a non-voting member, the Committee Chairperson. It is recommended that Fund Internal Auditor should play the oversight function on the works of the Evaluation Committee. The minimum composition of the evaluation team members will be as follows:

I. An Open Tender Evaluation Committee (> USD 300'000), at a minimum should include:

1. The senior Fund Officer responsible for the tender;
2. Task Manager responsible for the tender;
3. A Fund officer from a different program area;
4. The Fund's principal Accountant;
5. An external representative with knowledge of the procurement area;
6. The Human Resource Manager;
7. The Procurement Officer – Chairperson/ Secretary.

II. An Open Tender Evaluation Committee (USD 50'001 - 300'000), at a minimum should include:

1. The senior Fund Officer responsible for the tender;
2. Task Manager responsible for the tender;
3. A Fund officer from a different program area;
4. A representative of the Accounting Department;
5. An external representative with knowledge of the procurement area;
6. A representative of the Human Resources Department;
7. The Procurement Officer – Chairperson/Secretary.

III. An Open Tender Evaluation Committee (< USD 50'000), at a minimum should include:

1. The senior Fund Officer responsible for the tender;
2. A Fund officer from a different program area; and
3. A representative of the Accounting Department;
4. A representative of the Human Resources Department;
5. The Procurement Officer – Chairperson/Secretary

Role of the Evaluation Committee Members:

- The chairperson is responsible for coordinating the evaluation process in accordance with the procedures of this Procurement Manual and for ensuring its impartiality and transparency;
- The voting members of the Evaluation Committee have collective responsibility for decisions taken by the committee;
- All members of the Evaluation Committee must sign a Declaration of Impartiality and Confidentiality form prior to conducting the evaluation (opening of the bids). Any Evaluation Committee member or observer who has or might have an actual or potential conflict of interest with any tenderer or applicant must declare it and immediately withdraw from the Evaluation Committee.

Table 9.1: Detailed Procurement Type Specifications

Procurement Type	Procurement Value (USD)	Recommended Procurement Period	Evaluation Process	Authorized Process
Open tender	> USD 300'000	6-8 Weeks	• Senior Fund Officer responsible for the tender; • Task Manager responsible for the tender; • A Fund officer from a different program area; • The Fund Accountant; • An external	Evaluation Panel and tender approved by the CEO. Approach the international market through an open request for tender: • Suppliers respond and bid for the work by submitting a tender; • Evaluate all responses received within the deadline against stated conditions

			representative with knowledge of the procurement area; • The Human Resource Manager; • The Procurement Officer – Chairperson/ Secretary.	and criteria; • Negotiate a contract with the preferred supplier.
Open tender	USD 50'001 - 300'000	4-6 Weeks	• The senior Fund Officer responsible for the tender; • Task Manager responsible for the tender; • A Fund officer from a different program area; • A representative of the Accounting Department; • An external representative with knowledge of the procurement area; • A representative of the Human Resources Department; • The Procurement Officer – Chairperson/Secretary.	Evaluation Panel and tender approved by the Fund CEO. Approach the international market through an open request for tender: • Suppliers respond and bid for the work by submitting a tender; • Evaluate all responses received within the deadline against stated conditions and criteria; • Negotiate a contract with the preferred supplier.
Open tender	USD 10'001 - 50'000	2-4 Weeks	• The senior Fund Officer responsible for the tender; • A Fund officer from a different program area; and • A representative of the Accounting Department; • A representative of the Human Resources Department; • The Procurement Officer – Chairperson/Secretary	Evaluation Panel and tender approved by the Deputy Director. Approach the international market through an open request for tender: • Suppliers respond and bid for the work by submitting a tender; • Evaluate all responses received within the deadline against stated conditions and criteria; • Negotiate a contract with the preferred supplier.
Direct Source	USD 1'001 - 10'000	1-2 Weeks	• Three competitive quotes for prices from known suppliers or a tender placed on the website for wider circulation; • Individual officer's evaluation submitted to the officer with delegated financial authority; • In case of individual consultants, compare at least three CVs against the consultancy Terms of Reference (TOR) and select the one most qualified.	For consultancy tenders, HR needs to review the tender evaluation report prior to approval. The tender evaluation report should be approved by the delegated authority. For consultancy tenders, only one extension will be considered at the discretion of the Task Manager. Directly approach three potential suppliers with the specifications, to request quotes when the procurement value is below a predetermined threshold; or Directly approach one or more potential supplier with the specifications, to request quotes when: • No suitable submissions were received in response to an open tender process; • There is no competition for the particular service due to technical reasons; • It is a case of extreme urgency beyond

				Fund's control; • It is an unsolicited and highly advantageous short-term value for money opportunity; • Additional services are required from the original supplier to replace parts or service equipment, or where changing supplier would lose compatibility with existing equipment or services. This procurement method does not involve the procedural rules of open tendering, but it may include a competitive process, for example obtaining multiple quotes and multiple CVs for individual consultants. Reference checks must be carried out prior to selection of successful candidate.
Over-the-counter purchase	≤ USD 1'000	1 Week	No quotes required (unless there's likely to be a disparity between suppliers)	Direct purchase of goods or services from a supplier, where the procurement value is below a threshold requiring a competitive process.

9.5.4.4 Honorarium / Sitting Fees

External Evaluation Committee members who have been selected for their technical expertise and knowledge will be eligible for sitting fees. The Board determines sitting fees, considering a ceiling of *USD 500* per procurement. The Requesting Officer must obtain the approval from their Manager prior to negotiating the fees. The approval process is as follows:

- 1) Approval from Task Manager - to ensure that there is a need;
- 2) Approval from the Fund's Principal Accountant - to ensure that funds are available and are within the guidelines; and
- 3) Establishment of a Letter of Agreement with the external party.

9.5.5. Preparing the Draft Request for Tender

9.5.5.1 Planning

Careful planning is essential to ensure that a given procurement process is successful. Before the Fund approaches potential suppliers, the specifications of goods or services or service outcomes must be clearly identified.

- **Specifications:** Specify in advance the performance, technical, and/or functional requirements of the required goods or services. The specifications should only refer to a particular trademark, producer, or supplier when there is no other way to describe it precisely, and then the specification should state that it, 'or an equivalent,' is required.
- **Conditions:** Identify in advance any conditions that potential suppliers must meet to participate in a procurement process. The potential supplier may have to demonstrate minimum legal, technical, or financial capacities, for example relevant experience in the technical field.

9.5.5.2 Types of Tenders

To help meet the objectives of a project or to satisfy the Fund's operational needs, the Fund may request tender through procurement procedures for consultancy services, goods, non-consultancy services and works, depending on the nature of the requirement.

Consultancy services: Consultants generally offer advice or propose solutions to problems, but they do not directly, carry out, or implement solutions.

Non-consultancy services: A contractor may in addition to providing advice, be involved in implementing the solutions with the contracting authority.

Goods: Goods are supplies, equipment, or machineries that are essential as input to the project to achieve project objectives.

Works: Works tender would involve infrastructure activities, such as building of roads, and all other activities related to civil or engineering works.

9.5.5.3 Terms and Conditions of Tender

For clarity and consistency, the Fund should prepare a standard set of terms and conditions for the most common types of procurement process: for example, consultancy services, goods, non-consultancy services, and works, through the preparation of a clear and concise terms of reference for the work required through the tender process. As circumstances may require, the Procurement Officer with support from the Fund Task Manager or Legal Adviser should be available to address questions about the terms and conditions to the potential applicants or tenderers, in particular, prior to signing any agreement.

9.5.5.4 Request for Tender

The tender processes as described below are applicable to all types of tenders referred to in section 9.5.5.2 above, and the procedures will depend on the size of the tender amount as described in table 9.1 above. When the specifications or Terms of Reference have been finalized, a draft Request for Tender (RFT) is prepared by the Requesting Officer using the template in Annex 7. The Procurement Officer is responsible for ensuring the information provided by the Requesting Officer complies with the underlying principles of the Fund's procurement process and that it is clear, unambiguous and generic, and ensures fair competition among the suppliers. The Procurement Officer plays a support role to the Requesting Officer in the following areas:

- Provides information on previous, current, and upcoming procurement activities for similar products or services;
- Reviews the request for completeness and ensures that the specifications or descriptions are not restrictive or biased towards a specific supplier;
- Assists in market studies to identify sources of supplies, pricing, availability of information, and extent of competition;
- Provides advice on the best method to obtain goods and services in a timely manner, at the best possible price; and
- Is responsible for production of all tender assessment reporting related to the Tender Evaluation Committee.

The “Requesting Officer” is the officer requesting for goods or services/works through the tender procurement process.

9.5.5.5 Request for Tender Documentation

The Request for Tender must provide all relevant information about the Fund’s requirements that is necessary to enable a potential supplier to prepare responsive, tailored submissions.

Use the template in Annex 7 for consultancy service, Annex 10 for goods and works.

Generally, this should include:

- 1) Terms and Conditions of Tender;
- 2) Description: the nature, scope and quantity of the goods, services or works to be procured, including any technical specifications or other instructions;
- 3) Standard Conditions for participation: business license, financial statements, references, evidence of eligibility to live and work in the applicable country or project site, any financial guarantees, information or documents that potential suppliers must submit;
- 4) Submission guidelines: any minimum content and format requirements;
- 5) Standard Evaluation criteria: qualifications, experience, competencies, and resourcing;
- 6) Include a description of organizational values, i.e. environmental leadership, service delivery, valuing people and integrity;
- 7) Offer Summary Table: for supplier comparison purposes. The tender document package should be completed by attaching the appropriate series of forms that allow the suppliers to submit offers in a consistent fashion, and confirm their acceptance of the type of contractual arrangements proposed;
- 8) Tender Deadlines: Gives potential suppliers sufficient time to prepare and lodge a submission. Suggested minimum response periods are presented in table 9.1; and
- 9) Tenderer is deemed ineligible due to association with exclusion criteria, including bankruptcy, fraudulent or negligent practice, violation of intellectual property rights, under a judgment by the court, misrepresentation, corruption, participation in a criminal organization, money laundering or terrorist financing, child labour, and deficiency in capability in complying main obligations.
- 10) Tenderer to provide references of work done most recently to enable the Fund to carry out reference checks for consultants hired.
- 11) Tender to include a copy of the latest financial or management accounts of the supplier.

9.5.5.6 Request for Tender Approval

The Procurement Officer in consultation with the Requesting Officer prepares the “Request for Tender” for approval by the following process:

- Endorsement by the Task Manager that the need exists and sign off on the draft ‘Request for Tender’;
- Endorsement by the Accountant that funds are available;
- For consultancy services, the routing slip should include the Human Resources Adviser’s endorsement; and
- Approval by the Deputy Director or CEO that the Fund will be obligated to the terms of the tender

9.5.6. Approaching the Market

9.5.6.1 Distribution of Request for Tender Documents

The tender documents are posted by the Office of the CEO on the Fund's website.

The Procurement Officer shall distribute the tender documents to all identified potential suppliers, either by e-mail, or by fax.

Where feasible and appropriate, postings in newspapers or on the websites of relevant agencies may be ordered by the Procurement Officer to promote broader solicitation of tenders. The Procurement Officer shall ensure all tender documents are widely circulated.

9.5.6.2 Receipt and Opening of Tenders

Tendering parties or applicants must sign a declaration together with their applications, certifying that they do not fall into any of the exclusion situations cited under sections 9.5.6.7 (b) below and, where applicable, that each has taken adequate measures to remedy the identified situation.

Submitted tenders are received, registered, handled, opened and stored only by authorized Fund staff members. The purpose of this formal process is to ensure that tenders are received, handled and opened according to good practice and that transparency and confidentiality are maintained.

As specified in the request for tender (RFT) documents, offers should be received:

- At the correct place, date and time;
- In writing;
- Via mail, courier service, hand delivery, or e-mail; and
- For tenders received by e-mail, this must be on the 'secure' email address (add email address, e.g. *tenders@cctf.vg*) dedicated for the purpose of receipt of tenders.

The email address must be safely secured, i.e. password protected, and should only be accessible by the Procurement Officer. The tenders should be sealed, except in the case of quotations.

9.5.6.3 Registration of Tenders

Upon receipt, the Procurement Officer should properly record the date and time of delivery and issue a receipt or acknowledgement to the tendering party. The tenders received by hand delivery should also be recorded upon arrival.

9.5.6.4 Storage of Tenders

Tenders received by fax should be sealed in individual envelopes and kept in the locked tender box with the other sealed tenders. The locked tender box should be accessible only by the Procurement Officer who is responsible for the procurement functions, until the date and time specified for the tender opening. Tenders received by email must be on the secured email address and will not be accessible to anyone (other than the Procurement Officer) until the Opening of the Tenders meeting.

9.5.6.5 Opening of Tenders

Tender opening is a formal process of opening, reading, and recording in writing all tenders received in response to the request for tenders (RFT), at the date, time and place stipulated in the tender documents. It is recommended that the tender opening takes place as soon as feasible after the deadline for receipt of tenders. Apart from being efficient, it will reduce any risk of manipulating tenders received or accepting late bids.

The tender opening process is normally conducted by the authorized Tender Evaluation Committee. Members of the Tender Evaluation Committee should be present at the opening of the tenders; however, in the event that not all members are available, a minimum of 3 members is required for the opening of tenders including the chair of the Tender Evaluation Committee. Tender envelopes and tender proposals sent by email are opened one by one, and the opening official/panel should check that the tenders meet the procedural requirements of the tender documents. For example, that there is one original tender, the right number of copies, that there is a tender form properly signed by the supplier and any other documentation as requested. During the tender opening the following information is usually read out loud:

- Supplier's name and place of business;
- Price and any discounts, including currency of the tender;
- Delivery time;
- Delivery terms; and
- Offer validity

The chair of the Tender Evaluation Committee should certify the opening process by signing the tender register.

In tenders where specific bidders are requested to submit a financial bid separately from the technical bid; the process of opening technical bids first is to be followed. In the event that the bidder failed the technical aspect of the tender, their financial bids will be returned unopened.

9.5.6.6 Receipt of Tabulation of Valid Tenders

A tabulation/abstract of the tender is used to record prices, as well as delivery terms, etc. in order to facilitate the evaluation process. This tabulation/abstract is done as soon as possible after the opening of the tender or as part of the opening record/report. The tenders after they have been opened, dated, and signed by the opening official/panel, together with the opening record/report and a tabulation/abstract of the offers, if applicable, are then handed to the Requesting Officer in charge of the tender.

9.5.6.7 Invalidation of Tenders

Only tenders that are deemed valid are submitted to the tender evaluation committee for assessment.

Criteria that render a tender to be invalid include the following:

- a. Tenders received after closing date;
- b. Tenderer is deemed ineligible due to association with exclusion criteria, including bankruptcy, insolvency, fraudulent or negligent practice, violation of intellectual property rights, under a judgment by the court, misrepresentation, corruption, participation in a criminal organization, money laundering or terrorist financing, child labour, and deficiency in capability in complying main obligations;

- c. Tenderer has misrepresented information required by the contracting authority as a condition for participating in the procedure or has failed to supply that information; and
- d. Tenderer was previously involved in the preparation of procurement documents where this entails a distortion of competition that cannot be remedied otherwise.

9.5.7. Tender Evaluation

9.5.7.1 Evaluation Process

The Fund requires staff involved in an evaluation process to receive, open and treat all quotes and tenders in a way that guarantees fairness and impartiality, and that protects the confidentiality of the information provided by potential suppliers. The evaluation process will determine which proposal would best meet the Fund's needs, and achieve value for money.

All tenders or quotes received within the requested deadline need to be evaluated against the conditions and weighted criteria indicated in the information that was available to potential suppliers. Some criteria are typically general, while others should be developed specifically for the particular procurement. Only those potential suppliers that satisfy the conditions set as prerequisites for participation qualify for further assessment – any that fail to do so must be eliminated. All tenders or quotes satisfying stipulated conditions are then evaluated on the basis of their relative value for money. The value-for-money evaluation should consider:

- a. Costs – direct and indirect benefits and costs considered over the whole procurement cycle;
- b. Quality and fitness for purpose;
- c. Environmental considerations;
- d. Convenience and timeliness;
- e. The relative risks, including the performance history of the prospective suppliers and the financial stability of the prospective suppliers over the duration of the project (e.g. by review of their current financial statements and disclosure of upcoming material liabilities which can not be funded from existing resources such as loan repayments due within the project period);
- f. The flexibility to adapt to possible change over the lifecycle of the goods or service;
- g. Attributes of proposed contract terms. For example, contract extension;
- h. Previous experience in a similar field and with the same type of requirement;
- i. Experience from the region;
- j. Available capacity and or equipment to undertake the assignment; and
- k. Qualification and experience of proposed personnel including reference checks.

9.5.7.2 Code of Ethics

All staff, including external representation on the tender evaluation committee, should at all times exercise care and avoid situations in which private interest conflicts, or might reasonably be thought to conflict, with carrying out their duties. Particular situations in which officials should exercise care include those where gifts, travel, and accommodation, or conflicts of interest could give rise to a perception of bias.

9.5.7.3 Confidentiality

All members involved in evaluating offers should be careful to observe confidentiality of the offers and ascertain that information about the content of the submissions or the evaluation process is not revealed outside the group involved in the procurement process.

The Procurement Officer ensures the confidentiality of the process. In order to ensure confidentiality of the process, the Procurement Officer will be the only person that can communicate with the bidders during the period between the closure date and the Opening of the Tenders. All clarifying questions by the suppliers or service providers during this time must be channelled through the Procurement Officer. The Procurement Officer will refer the queries to the Requesting Officer for the tender and copy all members of the evaluation committee, and responses by the Fund to the suppliers should be channelled through the Procurement Officer.

During the period of evaluation, the Procurement Officer will be the only person who can communicate with the bidders. All clarifying questions intended for the suppliers or service providers during this time must be channelled through the Chair.

9.5.7.4 Gifts and Hospitality

Staff and external representation on the Evaluation Committee must not improperly use their position to gain a benefit, gift, or hospitality. Hospitality can include presentations, demonstrations, briefings and discussions, accompanied by meals, unless such presentations are expressly invited in the tender solicitation from all tendering parties, and do not include meals, alcohol, or gifts. Social contact with potential and known tendering parties should be avoided when an approach to market is underway and before contractual arrangements are finalized. Offers of hospitality and entertainment must not be accepted by Fund staff during these times and must be disclosed in accordance with relevant financial guidelines.

9.5.7.5 Conflicts of Interest

For the purposes of the procurement manual, conflict of interest refers to a conflict between the official duties of staff/external representatives on Evaluation Committee and their private interests or personal relationships, where the private interests or personal relationship could improperly influence the way a staff member carries out their official duties. Staff/external representatives on the Evaluation Committee should ensure that all interactions with businesses are able to withstand public scrutiny.

Whether a potential conflict of interest can be avoided or not, the Evaluation Committee members must declare it immediately in writing by filling in the "Conflict of Interest Form" (Annex 6), and arrangements must be put in place to avoid or remove the conflict. This may include excluding the official from any further participation in a procurement process.

Irrespective of potential conflicts of interest, all members of an Evaluation Committee must sign the Declaration of Impartiality, Confidentiality and Conflict of Interest form during the Opening of the tenders. (See Annex 6). Likewise, all bidders should declare any areas that may constitute conflict of interest related to this bid (Annex 7 Sec. 3.3).

9.5.7.6 Selection of the Preferred Bidder

The individual or the evaluation committee responsible for assessing the quotes or tenders needs to submit, to the designated staff member with the delegated financial authority its recommendation

on the preferred supplier. Use the template in Annex 11 to summarize the panel conclusions. The panel report should justify its reasons for concluding that the bidder:

- 1) Satisfies the conditions for participation;
- 2) Is fully capable of undertaking the contract; and
- 3) Has submitted a proposal that will provide the best value for money, in accordance with the specific criteria in the request document and the general value for money criteria.

The designated staff member with the delegated financial authority needs to approve the recommendation of the selection panel for it to take effect.

9.5.7.7. Approval of Evaluation Report

The Tender Evaluation report must be written by the Chair of the Tender Evaluation Committee and reviewed by the tender Evaluation Committee before sending for approval by the appropriate authority.

To ensure that the tender evaluation report reflects the selection agreed by the tender evaluation committee, the Procurement Officer will need to sign off on the tender evaluation report prior to the report being approved.

For all consultancy tenders, the evaluation report needs to be reviewed by Human Resources prior to submission of approval to the delegated authority.

Approval of the tender evaluation report is a delegated authority that will only approve the report upon endorsement from the Procurement Officer and Human Resources.

Any firm found to have a conflict of interest shall be ineligible for award of a contract.

9.5.8. Awarding a Contract

In consultation with the Legal Adviser and the Accountant, a contract will be drawn up and negotiated with the preferred supplier:

- The draft contract is to be drawn up by the Procurement Officer in consultation with the Requesting Officer for the tender;
- The Procurement Officer will ensure that the issues raised in the evaluation report are covered in the draft contracts; and sends the draft contract with routing slip to the Task Manager for endorsement;
- The draft contract and routing slip with the approved tender evaluation report is next sent to the Accountant for approval;
- The Accountant then circulates the contract and routing slip to the Legal Adviser, Internal Auditor, and the Human Resource Adviser where applicable (Human Resources Advisor approval required only for consultancy services), for approval;
- Both copies of the contracts are approved and signed by the Fund CEO upon receipt of the approved routing slip with the relevant attachments.
- All documentation related to the tenders is to be centrally filed with the Procurement Team.

Once the contract is awarded, the Procurement Officer must:

- Inform all potential suppliers whose submissions were evaluated of the decision;

- On request, provide an unsuccessful tender with the reasons it was unsuccessful;
- In the case of select or open tenders, the results should be published on the Fund website, including:
 - a) A description of the goods or services procured;
 - b) The name and address of the successful supplier;
 - c) The value of the successful tender; and
 - d) The date the contract was awarded.

9.5.9. Complaints

The Fund will consider, respond promptly and impartially to a complaint lodged by an unsuccessful bidder under the Procurement Manual. The complaint will be received in good faith and will be dealt with in a way that does not prejudice the complainant's ongoing or future participation in procurement or affect any rights of the complainant.

The complaint will need to be in writing and lodged with the Fund CEO, within 10 working days of the award of the contract notice being published. The formal complaint should outline the name of the tender and the details of the complaint.

The complaint when received should be referred to the Internal Auditor (IA) who will record the complaint and acknowledge its receipt within 3 working days. The IA will investigate the complaint and where necessary convene a Procurement Complaints Committee to preside over the complaint.

The Procurement Complaints Committee will consist of 3 persons and will be made up of the following:

1. Internal Auditor (Chairperson)
2. A Fund Manager previously uninvolved in the tender process
3. Legal Adviser

All tender documents will be made available to the Complaints Committee, and the Chairperson of the Evaluation, together with the Evaluation Committee, will be interviewed.

The Complaints Committee/Internal Auditor will provide a report to the Fund CEO on its investigation with an outcome within 10 working days of convening the investigation. The IA will submit a response to the complainant and copy the Fund CEO and the Complaints Committee on the outcome of the complaint.

The IA should keep records of all complaints, including outcomes, reasons for such outcomes, and response times. The tender evaluation committee should use the complaints' processes to identify general or recurring problems in procurement processes, and undertake corrective action.

9.5.10. Procurement Rules on Sub-Delegation

The Fund may sub-delegate tasks and activities funded by bilateral donors, multilateral agencies or international organizations, to vetted executing entities. In the Executing Partner Agreement (EPA) signed between the Fund and the executing entity, all relevant rules and procedures of Fund, including the procurement policies and procedures should be clearly described. The basic rule is that the executing entity should follow the appropriate policies, rules and procedures (equivalent to the procedures used by the Fund) in all material aspects for providing financing from the donor funds through procurement. Where there is observation of weaknesses or lack of capacity to follow such

rules, the Fund should conduct training or workshops to bring the executing entity up the level where it can execute the project activities, including procurement, following the proper rules and procedures without problem. Under exceptional cases, the Fund may take over the procurement process with the executing entity as observer; this may be considered as another form of capacity building.

Throughout the project implementation period, the Fund will perform oversight functions on the activities undertaken by the executing entity and monitor its performance against compliance with relevant policies, rules, and procedures in all procurement activities. The EPA will also indicate consequence of non-compliance and remedies thereof.

9.6. Prohibited Practices and Independent Integrity Unit

9.6.1. General Principles on Prohibited Practices

I. Introduction

The Fund is strongly committed to preventing and combating fraud, corruption, Money Laundering, Terrorist Financing and other Prohibited Practices (as defined below), in accordance with domestic and international standards. In that regard, it expects all individuals and entities involved in Fund-related Activities (as defined below) to observe the highest standards of ethics and to take appropriate measures to prevent and combat such Prohibited Practices.

II. Scope

These present General Principles shall apply to all:

- a) “Fund-related Activities”, which means any activity which is financed, administered or supported by the Fund, either with its own resources or those of others, or any activity that materially affects or may affect or otherwise be relevant to the Fund, and
- b) “Counterparties”, which means any party that defines, administers, contributes to, executes, implements, bids for, benefits from, or in any way participates in, Fund-related Activities, including receiving, or being a beneficiary of, a grant or other form of financing or support from the Fund, in respect of “Prohibited Practices” as defined below, including attempts to commit or suspicions thereof.

III. General Requirements of all Counterparties in relation to Fund-related Activities

The Fund requires all Counterparties to:

- a) adhere to the highest ethical standards;
- b) take all appropriate measures to prevent or mitigate fraud, corruption, and other Prohibited Practices; and
- c) refrain from engaging in Prohibited Practices in connection with Fund-related Activities.

Prohibited Practices. The practices defined in this paragraph are prohibited (“Prohibited Practices”) in relation to Fund-related Activities:

- a) “Corrupt practice” means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value (including but not limited to gifts, gratuities, favours, invitations, and benefits of any kind) to influence improperly the actions of another party.

- b) “Fraudulent practice” means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation.
- c) “Coercive practice” means the impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- d) “Collusive practice” means an arrangement between two or more parties designed to achieve an improper purpose, including to improperly influence the actions of another party.
- e) “Obstructive practice” includes (i) deliberately destroying, falsifying, altering, or concealing evidence material to an investigation; (ii) making false statements to investigators in order to materially impede an investigation; (iii) failing to comply with requests to provide information, documents or records in connection with a Fund investigation; (iv) threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or (v) materially impeding the Fund’s contractual rights of audit or access to information.
- f) “Abuse” means theft, misappropriation, waste or improper use of property or assets related to Fund-related Activity, either committed intentionally or through reckless disregard.
- g) A “conflict of interest” is any situation in which a party or any of its staff involved in the relevant decision making process has interests that could, or could be deemed to, improperly influence its performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations. Note that a conflict of interest may not, in all cases, in and of itself, constitute a Prohibited Practice.
- h) “Retaliation against whistle-blowers or witnesses” means any detrimental act, direct or indirect, recommended, threatened or taken against a whistle-blower or witness, or person associated with a whistle-blower or witness, in a manner material to a complaint because of the report or cooperation with a Fund investigation by the whistle-blower or witness.
- i) “Money Laundering” refers to: (a) the conversion or transfer of property, knowing that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the crime to evade the legal consequences of his or her action; (b) the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime; or (c) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence.
- j) “Terrorist Financing” means the act of, directly or indirectly, providing or collecting funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist acts.

IV. Action to be taken by Counterparties to Combat Prohibited Practices in relation to Fund-related Activities

All Counterparties shall take timely and appropriate measures to:

- a) ensure that Fund-related Activities are carried out in accordance with these General Principles;
- b) disclose and address conflicts of interest in a Fund-related Activity. If a conflict of interest or deemed conflict of interest arises, the Counterparty will promptly inform the Fund thereof and shall follow the instructions of the Fund on how to address such conflict or deemed conflict;
- c) prevent Prohibited Practices from occurring in relation to a Fund-related Activity, including adopting, implementing, and enforcing appropriate fiduciary and administrative practices

and institutional arrangements to ensure that the Fund proceeds in the form of a grant, loan, contract award, or other forms of financing or support are used only for the purposes for which such financing or support was granted;

- d) promptly inform the Fund of allegations of Prohibited Practices found, suspected or alleged in connection with a Fund-related Activity;
- e) investigate allegations of Prohibited Practices and report preliminary and final findings of investigations to the Fund;
- f) respond to, mitigate, and remedy Prohibited Practices that are found to have occurred in a Fund-related Activity and prevent their occurrence;
- g) cooperate fully with the Fund in any Fund investigation into allegations of Prohibited Practices related to a Fund-related Activity, and take all appropriate measures to ensure the full cooperation of relevant persons and entities subject to such investigation, including, in each case, allowing the Fund to meet with relevant persons and to inspect all of their relevant accounts, records and other documents and have them audited by or on behalf of the Fund; and
- h) ensure that individuals or entities sanctioned by the Fund do not participate in Fund-related Activities in violation of their sanction.

V. Actions to be taken by the Fund in cases of Prohibited Practices in relation to Fund related Activities.

The Fund, through its Integrity Unit or any office of the Fund duly authorised to receive reports, investigate, and address allegations or suspicions of Prohibited Practices prior to the establishment of the Integrity Unit, shall:

- a) inform a Counterparty of credible and material allegations or other indications of Prohibited Practices related to a Fund-related Activity;
- b) have the right to investigate allegations independently or in collaboration with competent authorities and/or the Counterparty;
- c) inform the Counterparty of the outcome of any investigation;
- d) have the right to reject or disqualify a proposal for a Fund-related Activity if it determines that the Counterparty has directly or indirectly engaged in any Prohibited Practices;
- e) have the right to sanction any Counterparty for engaging in Prohibited Practices in accordance with the Fund's policies, guidelines and procedures, as may be adopted and amended from time to time; sanctions may result in that Counterparty's exclusion from participating in a Fund-related Activity indefinitely or for a stated period of time;
- f) without limiting the generality of the foregoing, have the right to impose one or more of the following measures on a Counterparty for engaging in Prohibited Practices in connection with a Fund-related Activity:
 - a. Reprimand – the Fund may send a formal letter of reprimand of the Counterparty's behaviour;
 - b. Cancellation or suspension – the Fund may cancel or suspend a portion of Fund proceeds allocated to a Counterparty but not yet disbursed under a financing agreement or contract for goods or services;
 - c. Debarment – the Fund may declare a Counterparty, either indefinitely or for a specified period of time, ineligible:
 - i. To be awarded future financing from the Fund;
 - ii. To be awarded a contract financed by the Fund;
 - iii. To benefit from a contract financed by the Fund, financially or otherwise, for example as a subcontractor; and
 - iv. To otherwise participate in Fund-related Activity, in whole or in part;

- d. Conditional Non-Debarment – the Fund may require the Counterparty to comply, within specified time periods, with certain remedial, preventative or other measures as a condition to avoid debarment. In the event the Counterparty fails to demonstrate its compliance with the prescribed conditions within the time periods established, a debarment may automatically become effective for a period of time;
- e. Restitution of funds – the Fund may require restitution of improperly used or diverted Fund proceeds; and
- g) have the right to (i) share information on sanctions imposed pursuant to subparagraphs e and f with domestic institutions, international organisations, multilateral institutions and competent authorities, and (ii) recognise sanctions determined by domestic institutions, international organisations, multilateral institutions and competent authorities, if appropriate.

9.6.2. Terms of Reference of Independent Integrity Unit

The Board may establish an Independent Integrity Unit (IIU). Prior to establishing the IIU, the Board shall adopt Terms of References for the IIU and add these Terms of Reference to the Operational Manual.

10. Gender Policy

The Board may develop and adopt a Fund Gender Policy.

11. Information and Communication Technology

The Board may develop and adopt dedicated policies and procedures related to information and communication technology.

12. Management of Endowment Capital and Uncommitted Fund Assets

The Board may accept endowment contributions from third parties and diligently work with the provider of endowment for the management of funds.

The Board may develop and adopt dedicated policies and procedures related to the management of endowment capital and uncommitted Fund assets. Ad interim, uncommitted Fund assets shall be held in a savings account and invested in adaptation and mitigation projects as soon as possible through additional Calls for Proposals.

13. Review of the Operational Manual

The Fund Operational Manual shall be reviewed every 3 years or earlier, as determined by the Board.

The regular Review of the Operational Manual shall be focused on amending those areas where a need for amendment has been identified by the Board or CEO. Consequently, the regular Review of the Operational Manual may be limited to certain sections of the Manual, as determined by the Board.

The regular full Review of the Operational Manual to take place every 3 years, shall be carried out by (a) qualified, independent expert(s), guided by the Fund's Independent Evaluation Unit when constitute and by the deputy Director in the interim, and include detailed and practical recommendations on how to improve the Operational Manual in line with the Fund's legislation and relevant good international practice. The qualified, independent expert(s) shall be selected in line with the Fund's procurement policy and, once selected, receive full cooperation and information from the Fund in order to carry out the work in a satisfactory manner. The expert's report, including recommendations for amending the Operational Manual, shall be submitted to the Board for consideration and approval.

Annex 1: Project Identification Form

Whenever possible and in particular for project proposals to be submitted to the Green Climate Fund (GCF), the Fund shall use the Project Concept Note Template available at the GCF website. The Fund shall always refer to the latest template available at the GCF website. Since the GCF may issue new/alterd templates over time, the template is not included in the present Manual.

For projects sourced by the Fund that will not be financed by the GCF, the Fund can adapt this template as appropriate. As/when needed and in line with the Fund's Spending Strategy and Annual Operating Plan, the Secretariat shall elaborate revised templates and the CEO shall submit such revised templates to the Board for approval. Once approved, the template shall be used by the Fund as described in section 4 of the present Manual.

The following example is provided (based on the GCF Concept Note template version published in July 2017) to illustrate how the template could be simplified, for example for proposals with investment limited to the Virgin Islands, financing of approved proposals using domestic funds only, cases where financiers endorse the GCF approach, etc.

A. Project / Programme Information	
A.1. Project title	
A.2. Country (ies) / region	
A.3. Applying entity	
A.4. Executing entity & subcontractor(s) / beneficiaries	Executing Entity / subcontractor(s): Beneficiaries:
A.5. Mitigation / adaptation focus	Mitigation ☐ Adaptation ☐ Cross-cutting ☐
A.6. Public or private	Choose an item.
A.7. Results areas (mark all that apply)	<i>Which of the following results areas does the proposed project/programme address?</i>
	Reduced emissions from: ☐ Energy access and power generation (E.g. on-grid, micro-grid or off-grid solar, wind, geothermal, etc.) ☐ Low emission transport (E.g. high-speed rail, rapid bus system, etc.) ☐ Buildings, cities, industries and appliances (E.g. new and retrofitted energy-efficient buildings, energy-efficient equipment for companies and supply chain management, etc.) ☐ Forestry and land use (E.g. forest conservation and management, agroforestry, agricultural irrigation, water treatment and management, etc.)

	Increased resilience of: ☐ Most vulnerable people and communities (E.g. mitigation of operational risk associated with climate change – diversification of supply sources and supply chain management, relocation of manufacturing facilities and warehouses, etc.) ☐ Health and well-being, and food and water security (E.g. climate-resilient crops, efficient irrigation systems, etc.) ☐ Infrastructure and built environment (E.g. sea walls, resilient road networks, etc.) ☐ Ecosystems and ecosystem services (E.g. ecosystem conservation and management, ecotourism, etc.)
A.8. Project life span	 years months
A.9. Estimated implementation start and end date	Start: End:

B. Project Details	
B.1. Short project description (including objectives)	
B.2. Background information on project applicant	Describe project applicants' operating experience as regards the proposed project. Describe financial status and how the project applicant will support the project in terms of equity, management, operations, production and marketing.
B.3. Regulation, taxation and insurance	Provide details of government licenses, or permits required for implementing and operating the project, the issuing authority, and the date of issue or expected date of issue. Describe applicable taxes. Provide details on insurance policies related to project.
B.4. Implementation arrangements	Describe construction and supervision methodology with key contractual agreements. Describe operational arrangements with key contractual agreements following the completion of construction. Provide a timetable showing major scheduled achievements and completion for each of the major components of the project.

C. Financing / Cost Information						
C.1. Description of financial elements of the project		Please provide: - a breakdown of cost estimates analysed according to major cost categories, including overhead costs. - a description of how the choice of financial instrument(s) will overcome barriers and achieve project objectives, and leverage public and/or private finance.				
C.2. Project financing information		Financial Instrument	Amount	Currency	Tenor	Pricing
	Total project financing (a) = (b) + (c)		.....	<u>Options</u>		
	(b) Requested CCTF amount	Grants	.....			
	(c) Co-financing	Financial Instrument	Amount	Currency	Name of Institution	Seniority
		<u>Options</u>	.....	<u>Options</u>	.....	<u>Options</u>
		<u>Options</u>	.....	<u>Options</u>	.....	<u>Options</u>
		<u>Options</u>	.....	<u>Options</u>	.....	<u>Options</u>
		<u>Options</u>	.....	<u>Options</u>	.....	<u>Options</u>
Lead financing institution:						
(d) Covenants						
(e) Conditions precedent to disbursement						

D. Expected Project Performance	
D.1. Climate impact potential	Specify the climate mitigation and/or adaptation impact. Provide specific values for the below indicators and any other relevant indicators and values, including those include in the GCF Performance Measurement framework. • Total tonnes of CO₂ eq to be avoided or reduced per annum • Expected total number of direct and indirect beneficiaries and number of beneficiaries relative to total population (e.g. total lives to be saved from disruption due to climate-related disasters)
D.2. Paradigm shift potential [Potential to catalyse impact beyond a one-off project or programme investment]	Provide the estimates and details of the below and specify other relevant factors. • Potential for scaling-up and replication (e.g. multiples of initial impact size) • Potential for knowledge and learning • Contribution to the creation of an enabling environment • Contribution to the regulatory framework and policies
D.3. Sustainable development potential [Potential to provide wider development co-benefits]	Provide the estimates of economic, social and environmental co-benefits. Examples include the following: • Economic co-benefits - Total number of jobs created - Expected increase in profits/turnovers • Social co-benefits - Improved education - Improved regulation or cultural preservation - Improved health and safety • Environmental co-benefits - Improved air/water/soil quality - Improved biodiversity • Gender-sensitive development impact - Proportion of men and women in jobs created
D.4. Needs of recipient [Vulnerability to climate change and financing needs of the recipients]	Describe the scale and intensity of vulnerability of the beneficiary groups and elaborate how the project/programme addresses the issues. Examples of the issues include the following: • Level of exposure to climate risks for beneficiary groups • Needs for strengthening institutions and implementation capacity
D.5. Country ownership	Provide details of the below and specify other relevant factors. • Coherence and alignment with national climate strategy and priorities in mitigation or adaptation • Brief description of executing entities (e.g. local developers, partners and service providers) along with the roles they will play • Stakeholder engagement process and feedback received from civil society organizations and other relevant stakeholders
D.6. Effectiveness and efficiency [Economic and financial soundness and effectiveness of the proposed activities]	Provide details of the below and specify other relevant factors, if available. • Estimated cost per t CO₂ eq (total investment cost/expected lifetime emission reductions) • Co-financing ratio (total amount of the Fund's investment as percentage of project) • Economic and financial rate of return - With the Fund's support - Without the Fund's support

E. Brief Rationale for CCTF Involvement and Exit Strategy

Please specify why the CCTF contribution is critical for the project.

Please explain how the project sustainability will be ensured in the long run, after the project is implemented with support from the CCTF and other sources.

F. Risk Analysis

Please describe the financial and operational risks and discuss mitigating measures.

Please briefly specify the substantial environmental and social risks that the project may face and the proposed risk mitigating measures.

G. Multi-Stakeholder Engagement

Please specify the plan for multi-stakeholder engagement, and what has been done so far in this regard.

H. Remarks

I. SUPPORTING DOCUMENTS

- ☐ Map indicating the location of the project
- ☐ Detailed financing/cost information (if applicable)
- ☐ Pre-feasibility Study (if applicable)
- ☐ Feasibility Study (if applicable)
- ☐ Environmental and Social Impact Assessment (if applicable)
- ☐ Evaluation Report (if applicable)

Above template can be adapted as needed and as per Board decision, for example in a case where an entity providing financial resources to the Fund requires different templates. In such a case and subject to Board approval, the templates required by such entity shall be used, unless the requirements included in the templates fundamentally differ from the provisions regarding Project Cycle Management, Environmental and Social Safeguards, Results Management and Project-at-Risk management as included in the present Operational Manual. In case fundamental differences exist, the CEO and/or Chairperson of the Board shall propose and negotiate solutions to the entity providing financial resources. Agreed solutions shall then be presented to the Board for decision.

The Board may also decide alterations to the above templates in case of funding allocations financed with national sources, especially in cases where requirements in GCF templates referring to internationally relevant aspects are not necessary to be considered.

The Board shall decide on a case by case basis about such alterations, but always ahead of launching calls for projects or inviting project proponents to prepare project proposals. Decisions on alterations shall be published in the Fund's Annual Operational Plan, respective Call for Projects and Fund Website, or, in exceptional cases, where this is not possible, in respective Call for Projects and on the Fund's website only.

Main indicators of the Results Management Framework shall always be implemented and no exceptions shall be granted with regard to main indicators of the Results Management Framework. This is to ensure that the Fund's performance against these indicators can be measured for all projects supported by the Fund.

Annex 2: Project Application Form

Whenever possible and in particular for project proposals to be submitted to the Green Climate Fund (GCF), the Fund shall use the Funding Proposal Template available at the GCF website.

The Fund shall always refer to the latest template available at the GCF website. Since the GCF may issue new/altered templates over time, the template is not included in the present Manual.

For projects sourced by the Fund that will not be financed by the GCF, the Fund can adapt this template as appropriate. As/when needed and in line with the Fund's Spending Strategy and Annual Operating Plan, the Secretariat shall elaborate revised templates and the CEO shall submit such revised templates to the Board for approval. Once approved, the template shall be used by the Fund as described in section 4 of the present Manual.

The template can be adapted similar to the example included in Annex 1.

Templates can be adapted as needed and as per Board decision, for example in a case where an entity providing financial resources to the Fund requires different templates. In such a case and subject to Board approval, the templates required by such entity shall be used, unless the requirements included in the templates fundamentally differ from the provisions regarding Project Cycle Management, Environmental and Social Safeguards, Results Management and Project-at-Risk management as included in the present Operational Manual. In case fundamental differences exist, the CEO and/or Chairperson of the Board shall propose and negotiate solutions to the entity providing financial resources. Agreed solutions shall then be presented to the Board for decision.

The Board may also decide alterations to the above templates in case of funding allocations financed with national sources, especially in cases where requirements in GCF templates referring to internationally relevant aspects are not necessary to be considered.

The Board shall decide on a case by case basis about such alterations, but always ahead of launching calls for projects or inviting project proponents to prepare project proposals. Decisions on alterations shall be published in the Fund's Annual Operational Plan, respective Call for Projects and Fund Website, or, in exceptional cases, where this is not possible, in respective Call for Projects and on the Fund's website only.

Main indicators of the Results Management Framework shall always be implemented and no exceptions shall be granted with regard to main indicators of the Results Management Framework. This is to ensure that the Fund's performance against these indicators can be measured for all projects supported by the Fund.

Annex 3: Minimum Requirements for Award Contracts

Note that annex 3 includes a selection of minimum requirements for Award Contracts. Additional or modified requirements can be elaborated and used for specific projects, in line with requirements of national and international (co-) financing partners.

Award Contract number:

Between [official designation of the Fund] and [official designation of the beneficiary]

Dated:

Title of Project:

1. Definitions

Terms and definitions:

Relevant details on the beneficiary:

2. Description of Project

Summary of project, including project objectives, principle methodology/technology, and term of project implementation:

Project Document: the enclosed full project application/document based on which the Fund decided to support the project shall constitute an integral and binding part of the contract

3. Responsibilities and rights of the Fund

It is the responsibility of the Fund to:

- disperse funds in time;

- assist in the procurement processes for goods, services and works purchased under the present contract;
- monitor and supervise the implementation as agreed in Articles 8 & 9;
- to ensure confidentiality of information received from the beneficiary as appropriate and unless otherwise agreed.

It is the right of the Fund to:

- acquire additional information on project implementation from the beneficiary if the Fund deems necessary;
- suspend or annul this agreement should the beneficiary default this agreement in accordance with Article 12;
- require the beneficiary to immediately repay the amount already disbursed should the beneficiary default this agreement in accordance with Article 12;

4. Responsibilities of beneficiary

- to follow the project document, project implementation schedule, and, if necessary the project risk mitigation strategy as outlined in Articles 7 and 10;
- to use funds received from the Fund only for project needs as specified in the project document;
- to finance its part of project costs as per project document and Article 5;
- to procure goods, services and works in accordance with procurement rules specified in Article 6.
- to prepare and send progress reports and financial statements to the Fund as set out in Article 8;
- to report all relevant information on project implementation to the Fund;
- to allow Fund staff to monitor and supervise project implementation.

5. Project financing

Project financing plan: in line with the Board approved financial plan for the project.

The beneficiary covers price increases not covered by contingencies.

The advance payment of ___ % shall be paid within x days of effectiveness of this contract.

Later disbursements take place only against receipts presented for all project costs.

Disbursement can be stopped or postponed in case of project implementation deviations caused by the beneficiary.

A financing plan, including payment schedule, is included as Annexes to the contract.

6. Procurement rules

A list of goods, services and works to be purchased is included in the Project Document. Procurement of goods, services and works shall be according to the Fund procurement guidelines.

A procurement plan is included as an Annex to the contract.

7. Project implementation schedule

The implementation schedule is included as an Annex. Deviations from this schedule must be reported to the Fund at first occasion, for example in the first coming progress report (Article 8).

According to Article 12, the Fund has the right to terminate or annul the agreement, if deviations by the beneficiary from the implementation schedule become significant.

8. Project progress reports and financial statements

The beneficiary must prepare a project progress report every __ months and provide it to the Fund. The format should be as specified in the Fund Format for Project Progress Reports. As set out in this standard format, the progress report must comprise up-to-date financial accounts for project funds. The beneficiary's submission of progress reports is a precondition for disbursing any project funds, except advance payments.

9. Project supervision

It is the responsibility of the Fund (or its designated agent) to supervise the implementation based on progress reports (Article 8), site visits and other communication with the beneficiary. The Fund has the right to acquire any additional information that may be required for project supervision. The Fund may initiate periodical meetings with the beneficiary. Upon project completion, the Fund will prepare a Project Completion Form and may initiate a project evaluation and has the right to acquire additional information for these purposes also.

10. Project risks

A project risks strategy, including an environmental and social risk mitigation strategy is included as an Annex to the contract.

11. Effective date of contract and duration of validity

This contract is effective from the date of signature of the Fund and beneficiary.

The award contract expires:

- when the outputs described in the project document are established. Any unspent funds will revert to the Fund unless otherwise agreed;
- when the funds awarded have been spent without a new contract for future support for the project having been agreed between the parties; or
- six months after the project should be terminated according to the implementation schedule in Article 7, unless a formal extension has been agreed.

In the case of an interest rate subsidy being provided by the Fund to the beneficiary, a separate contract must be signed between the Fund, beneficiary and lender, which does not expire until the loan repayments subject to the interest rate subsidy have been completed.

12. Termination or Annulment of Contract

This contract can be terminated by the Fund if the beneficiary does not comply with it. In that case, the Fund can promptly require the beneficiary to immediately return funds already disbursed.

The contract can be cancelled by the beneficiary with one month's notice. Within this month, the beneficiary must repay all funds received from the Fund unless otherwise agreed.

13. Amendment of Contract

Any amendment to this contract must be signed by the Fund and the beneficiary.

14. Signatures

Names and contact details of authorized representatives of the Fund and beneficiary.

15. Annexes to Award Contract:

Project Document

Implementation schedule

Financing Plan

Procurement Plan

Project Risks Strategy

Annex 4: Minimum Requirements for Project Progress Reports

Note that Annex 4 includes a selection of minimum requirements for Project Progress Reports. Additional or modified requirements can be elaborated and used for specific projects, in line with requirements of national and international (co-) financing partners.

The point of reference for reporting and monitoring project implementation progress is the Project Proposal/Application Form attached to the Award Contract as an annex, and in particular the Project Implementation Schedule, Project Budget and (in case) ESS mitigation strategy.

1. Key data

- The Project Title
- Name of Project Proponent(s)
- The period covered by the report

2. Project objective

Assess and discuss the likelihood that the project will achieve its objectives.

3. Activities and Results

Describe progress for each activity/component supported by the Fund. State any major deviations from Project Document and, in each case, explain reasons and consequences. Describe action taken by the beneficiary and estimate realistic starting/completion date of activities.

4. Assessment of project risks

Project risks (as defined in the Fund's project-at-risk management system) including in particular environmental and social risks (based, in case, on the ESS mitigation strategy of the project attached to the project award contract) shall be reassessed and updated. If necessary, modifications to the risk mitigation strategy shall be proposed in line with the Fund's project-at-risk and ESMS system.

5. Major problems

Describe major problems encountered, which are considered to be serious constraints for successful project implementation. Indicate recommended actions to be undertaken to address these problems.

6. Financial status

The financial reporting must support the report on activities, which requires that the account is organized in accordance with the budget lines given in the award contract. It is important that the figures are up to date. Data should be given on:

- The amount of support provided by the Fund and other sources of finance.
- The amount of the beneficiary's own contribution.
- Amounts spent thus far.
- Amounts planned to be spent in the remaining period.
- Whether the available/expected sources of finance are sufficient to cover planned/required spending for the remainder of the project.
- Spending by activities: in case the actual spending exceeds the budget estimate, justification must be provided.

Annex 5: Minimum Requirements for Project Completion Forms

Note that Annex 5 includes a selection of minimum requirements for Project Completion Forms. Additional or modified requirements can be elaborated and used for specific projects, in line with requirements of national and international (co-) financing partners.

1. Basic project data:

Title of project, name of project proponent(s), financial support provided by Fund (and other co-financiers, in case), proponents' own contribution, date of contract, project period, project objective.

2. Introduction:

Persons who prepared/contributed to the Project Completion Form (PCF) and their connection with the project (normally, the PCF shall be prepared by the Fund staff member most responsible for the project). Documentation used in preparing the PCF and reference to project documents.

3. Project background and design:

Briefly discuss the project strategy and design. Explain how the project complied with the financing strategy of the Fund.

4. Risk management and ESS framework:

A summary shall be included on the project's performance with regard to project-at-risk management and ESS management. Ex post assessments shall be compared with ex ante assessment and relevant lessons learnt shall be formulated.

5. Achievement of outputs:

A summary shall be provided, for instance in a schematic form, describing outputs produced as compared to project document. Ex post and ex ante indicators shall be included and discussed in the report.

6. Fulfilment of objectives:

- Are the objectives still relevant?
- To what extent has the project achieved, or is likely to achieve, its objectives?
- What facts have been observed which confirm that the objective has been obtained?
- In case of limited achievement of objectives, give reasons.

7. Statement of expenditure:

Compare the expenditure under the project with the budget lines of the project document. Explain any major deviations.

8. Further analysis:

Specify need for further analysis, in case. For example, an evaluation study may be recommended if it is believed that such analysis would yield important conclusions - positive or negative. In case an evaluation study is recommended, the CEO will decide whether and when the study shall be implemented, in line with relevant provision of the present Operational Manual.

9. Lessons learned:

Important lessons of general interest to the Fund and to the design and implementation of similar projects in the future should be summarized.

10. Data Sheet (summarizing basic project and environmental data)

The data sheet should include all major, standardized project data and indicators, technical and financial. All relevant indicators of the Fund's Results Management Framework shall be reported, including ex-ante and ex-post data and information.

These data should eventually be used to compile and document the Fund's overall performance, e.g., at institutional (Fund) level, portfolio level, priority spending programme level, etc.

Annex 6: Conflict of Interest Declaration

Part A – Declaration of Impartiality, Confidentiality, and Conflict of Interest.

(Please read and fill in appropriate section of the Declaration form for all tender evaluation committee members. Tick appropriate boxes)

RESPONSIBLE:

DEPARTMENT:

TENDER NAME:

I understand that a conflict of interest (COI) may arise where my private interests influence, or may be seen to influence, my actions as a Fund staff. In recommending or approving this contractor/Supplier I affirm that, except as set out below:

- ☐ I, the undersigned, declare that I agree to participate in the evaluation of the above-captioned tender. By making this declaration, I confirm that I have familiarized myself with all relevant information concerning the tender process and evaluation. I further declare that I shall execute my responsibilities honestly and fairly.
- ☐ To the best of my knowledge and belief, there are no facts or circumstances, past or present, or that could arise in the foreseeable future, which might constitute a conflict of interest or if such exists
- ☐ I will disclose this at the outset to the chairperson of this evaluation committee/ or panel or as soon as I become aware of it.
- ☐ I confirm that I, my family members and any organization that I am involved with shall not receive any financial gain or advantage as a result of my participation.
- ☐ I agree to hold in trust and confidence any information or documents disclosed to me or discovered by me or prepared by me in the course of or as a result of this evaluation and agree that these documents or information shall be only used for the purposes of this evaluation and shall not be disclosed except to a party entitled to know and such party should likewise agree to execute and be bound by the terms of this Declaration.

Supplier	Relationship	Is there a Conflict of Interest?	Describe any conflict of interest
		☐ Yes ☐ No	
		☐ Yes ☐ No	
		☐ Yes ☐ No	
		☐ Yes ☐ No	
		☐ Yes ☐ No	
Name:			
Signed:			
Designation:			
Date:			

Part B - Record of Resolution by the Management

With respect to the above declaration, the Task Manager passed the following resolution:

_____ (name of the person making the declaration)
should refrain from performing or getting involved in performing the work/duty, as described in Part
A, which may give rise to a conflict.

_____ (name of the person making the
declaration) may continue to handle the work/duty as described in Part A, and recommend the
following action to mitigate the declared interest.

Task Manager

Signature:

Signature:

(This form is to be used for procurement of goods & services through the tender process by all
members in any tender evaluation committee of the Secretariat. If no conflict of interest exists as in
Part A, then do not fill in Part B).

Annex 7: Request for Tenders for Consultancy

REQUEST FOR TENDERS - CONSULTANCY

File: Insert file no. / name

Date: Insert date

To: Interested suppliers

Contact: Insert contact details of staff member who can be contacted for further information

Subject: Request for tenders: Insert title

1. Background

1.1. The primary purpose of the Fund is to (add summary of the Fund's mission/purpose).

1.2. For more information see: (add Fund website address).

2. Specifications: statement of requirement

2.1. The Fund would like to call for tenders from qualified and experienced (insert type of specialists sought, e.g., economist, project developer, etc.) who can offer their services to provide (insert title of work, e.g., a series of training workshops/ assistance to the Fund in developing an internationally bankable funding proposal, etc.)

2.2. The successful applicant will need to provide (insert the nature, scope and quantity of the goods or services) by (insert date).

2.3. Describe any technical specifications or other instructions, e.g. list the terms of reference for a consultancy.

3. Conditions: Information for Applicants

3.1. To be considered for this tender, interested suppliers must meet the following conditions: list any conditions, i.e. financial performance/ guarantees, information or documents that potential suppliers must submit.

3.2 Applicants should declare any areas that may constitute conflict of interest related to this bid.

4. Submission guidelines

4.1. Tender documentation should demonstrate that the interested supplier satisfies the conditions stated above and is capable of meeting the specifications and timeframes. Documentation must also

include supporting examples to address the evaluation criteria. Describe any additional minimum content and format requirements.

4.2. Tender documentation should outline the interested supplier's complete proposal: methods, personnel (and their skill sets/curricula vitae), timeframes and costs.

4.3 Tenderers/Bidders must insist on an acknowledgement of receipt of tenders/proposals/bids.

5. Tender Clarification

5.1. Any clarification questions from applicants must be submitted by email to (insert contact person) copy (insert email address, e.g., *tenders@cctf.vg*) before (insert date). A summary of all questions received with an associated response will be posted on the Fund website (insert webpage address) by (insert date).

6. Evaluation criteria

6.1. The Fund will select a preferred supplier on the basis of the Fund's evaluation of the extent to which the documentation demonstrates that the tenderer offers the best value for money, and that the tenderer satisfies the following criteria.

6.2. e.g. Expertise in ... (indicate any weighting applied to criteria)

6.3. e.g. Demonstrated experience in ...

6.4. e.g. Familiarity with / comprehensive understanding of ...

6.5. Describe any other factors to be considered in assessing submissions.

7. Deadline

7.1. The due date for submission of the tender is: (insert date)

7.2. Late submissions will be returned unopened to the sender.

7.3 Please send all tenders clearly marked 'TENDER: (insert Title of Tender) to:

Mail: (add address)

Email: (Insert email address, e.g., *tenders@cctf.vg*)

Person: Submit by hand in the tenders box at the Fund's reception, add address.

The Fund reserves the right to reject any or all tenders and the lowest or any tender will not necessarily be accepted. For any complaints regarding the Fund's tenders please refer to the Complaints section on the Fund website.

Annex 8: Sample Consultancy Agreement

CONSULTANCY AGREEMENT

CCTF (insert ID number)

Date: (insert date)

Consultant name and address: (insert name and address)

Consultancy: (insert Title of the Consultancy)

between

The Virgin Islands Climate Change Trust Fund (CCTF)

and

(insert consultant name)

(together, “the Parties”)

Dear (insert consultant name)

I am pleased to offer you this Consultancy Agreement (“the Agreement”) with the CCTF (hereinafter: the Fund) in accordance with the following terms and conditions.

Interpretation

“Confidential Information” means any information (in any form) expressly marked or designated as “confidential” that the Consultant discloses to the Fund or the Fund discloses to the Consultant or which, by its nature, may reasonably be regarded as being sensitive or of commercial value to the disclosing Party. Information cannot be marked or designated as “confidential” if it is: (i) publicly available, (ii) rightfully known by the Consultant before disclosure by the Fund or rightfully known by the Fund before disclosure by the Consultant, or (iii) independently created or obtained by the Consultant or by the Fund without reference or access to each other's Confidential Information.

“Deliverables” means completed work components or products (reports, outputs, and the like) as contained in the Terms of Reference.

“CEO” means the Chief Executive Officer of the Fund and includes “Officer-in-charge” and “Acting CEO”.

“Intellectual Property” includes, but is not limited to, copyright (including future copyright and rights in the nature of, or analogous to, copyright), trademarks, trade names, designs, inventions (including patents), non-patentable processes and methods, Confidential Information, knowhow, and show-

how, technical and other data or information, trade secrets, service marks, circuit layouts and the like.

“Services” means the work to be done under the Terms of Reference.

1. Terms of Reference for Services & Deliverables

The Terms of Reference are set out in the Attachment which forms part of this Agreement.

Deliverables are to be submitted to the Fund in accordance with the Terms of Reference.

2. Duration

a) The work will commence on the (fill in date).

b) The work will finish on (fill in date).

3. Remuneration

a) The total consultancy fee is (fill in amount).

b) Payment schedule will be made upon receipt of final deliverables prescribed below:

Deliverable	Percentage	Amount in (indicate currency)
Total	100%	(fill in amount)

c) The consultant must submit an invoice for each payment instalment.

4. Travel

If travel is required,

- The Fund will provide the Consultant with a return economy airfare by the most direct and economical route available (modify in case of other transport modes).
- A per diem allowance at current Fund rates on the approved itinerary will be paid in advance by the Fund, or where appropriate by the agreed work commencement date.
- If there are any variations to the initially approved itinerary, a reconciliation of actual entitlement against actual advance must be submitted to the Fund at the completion of the Agreement and any refunds by either Party made at that time.

5. Status of Consultant

- a) The Consultant shall be considered as having the legal status of an independent contractor and not the status of an official or staff member of the Fund. Agents, employees or representatives of the Consultant shall not be considered as being officials or staff of the Fund.
- b) The Consultant is entitled only to those benefits stated in this Agreement.

6. Title Rights

- a) Other than material purchased by the Consultant from the Consultant's own funds, any material permanently obtained for the purpose of fulfilling this Agreement shall be the property of the Fund.
- b) Unless otherwise stated in this Agreement, intellectual property shall be the property of the Fund.

7. Delay

The Consultant must notify the CEO in writing as soon as the Consultant becomes aware of circumstances which may give rise to delay together with an estimate of further time required for the completion of the Services.

8. Confidentiality

Unless otherwise stated in this Agreement or as otherwise agreed in writing by the Parties, neither Party will disclose or use in any way any Confidential Information except to the extent that disclosure or use of such Confidential Information is necessary to enable the Services to be performed.

9. Financial responsibility

The Consultant agrees it is responsible for:

- a) payment of applicable taxes, superannuation and the like;
- b) relevant insurance cover such as medical, travel and professional liability.

10. Indemnity

- a) The Consultant shall perform the Services with due professional care and skill.
- b) The Consultant shall have full regard to the Fund's interests and not knowingly take any action that might adversely affect the Fund.
- c) The Consultant agrees to indemnify and hold harmless the Fund of and from any and all claims, demands, losses, causes of action, damage, lawsuits, judgments, including lawyer's fees and costs, arising from
 - i. any negligent act or omission by the Consultant (including any of its personnel) in connection with this Agreement;
 - ii. any breach by the Consultant (including any of its personnel) of its obligations under this Agreement;

- iii. any use or disclosure by the Consultant (including its personnel) of Confidential Information held or controlled in connection with this Agreement.
- iv. Intellectual property breaches.

11. Termination

- a) If the Consultant acts in a manner which in the reasonable opinion of the CEO has a serious negative impact upon the Fund, the CEO may immediately terminate this Agreement.
- b) Other than termination in accordance with sub-clause (a), either Party may terminate this Agreement at any time by giving the other ten days' notice in writing of its intention to do so.
- c) Upon receipt of a notice to terminate:
 - i. the Parties will take all action necessary to cancel outstanding commitments relating to the Services under this Agreement and will use their best efforts to honour their respective prior commitments.
 - ii. The Fund will make payment for work satisfactorily completed up to the time of termination, up to the stated maximum.
 - iii. The Consultant will return all unexpended funds.
- d) Termination or expiry of this Agreement will not prejudice any rights or obligations of the Parties which exist, whether under this Agreement, at law or otherwise, prior to termination or expiry.
- e) Clauses 6, 8, 9, 10 and 11, and any other relevant provisions, will survive the termination or expiry of this Agreement.

12. Applicable Law

This Agreement shall be governed by the laws of the Virgin Islands and subject to the jurisdiction of the Virgin Islands Courts.

13. Dispute resolution

The Parties shall cooperate to carry out their obligations in good faith and shall endeavour to resolve any disagreement in an amicable manner, including through use of mediation and conciliation processes, prior to taking any Court action.

14. Variation of Agreement

This Agreement may be varied by written agreement of the Parties.

15. Counterparts

This Agreement may be executed in any number of counterparts (including by facsimile or electronic copies) each of which, when taken together, will constitute one and the same document.

Should these terms and conditions be acceptable to you, please sign below, also initial each page of the Agreement and its attachment, and return one copy of each to me.

Yours sincerely

(insert name of Fund CEO)
CEO
CCTF

(insert name of consultant)
(insert consultant position)
(insert name of consultant's company)

Attachment: Terms of Reference

Annex 9: Sample Services Agreement

SERVICES AGREEMENT

CCTF (insert ID number)

Date: (insert date)

Name and address: (insert name and address)

(insert Title of the Agreement)

between

The Virgin Islands Climate Change Trust Fund (CCTF)

and

(insert supplier)

(together, “the Parties”)

Dear (insert consultant name)

I am pleased to offer you this Services Agreement (“the Agreement”) with the CCTF (hereinafter: the Fund) in accordance with the following terms and conditions.

Interpretation

“CEO” means the Chief Executive Officer of the Fund and includes “Officer-in-charge” and “Acting CEO”.

“Services” means the work to be done under the Terms of Reference.

1. Terms of Reference for Services

The Terms of Reference are set out in the Attachment which forms part of this Agreement.

2. Duration

The Services will be for a period of xxxx commencing xxxxx and ending xxxxx.

3. Remuneration

- a) The Contractor will receive the sum of xxxx as Services fees after completion xxxxx.
- b) The Fund reserves the right to withhold remuneration if in the opinion of the CEO (acting reasonably) the Services under this Agreement are unsatisfactorily, incompetently, or incompletely performed or money is owed to the Fund by the Contractor.

4. Status of Contractor

- a) The Contractor shall be considered as having the legal status of an independent contractor and not the status of an official or staff member of the Fund. Agents, employees or representatives of the Contractor shall not be considered as being officials or staff of the Fund.
- b) The Contractor is entitled only to those benefits stated in this Agreement.

5. Delay

The Contractor must notify the CEO in writing as soon as the Contractor becomes aware of circumstances which may give rise to delay together with an estimate of further time required for the completion of the Services.

6. Financial responsibility

The Consultant agrees it is responsible for:

- c) payment of applicable taxes, superannuation and the like;
- d) relevant insurance cover including for liability.

7. Liability

- a) The Contractor shall perform the Services with due professional care and skill.
- b) The Contractor agrees to provide remedial work for a further 6 months from the date of final payment if shortcomings are subsequently discovered in the Services provided.
- c) The Contractor shall have full regard to the Fund's interests and not knowingly take any action that might adversely affect the Fund.
- d) The Contractor agrees to indemnify and hold harmless the Fund of and from any and all claims, demands, losses, causes of action, damage, lawsuits, judgments, including lawyer's fees and costs, arising from
 - i. any act or omission by the Contractor (including any of its personnel) in connection with this Agreement;
 - ii. any breach by the Contractor (including any of its personnel) of its obligations under this Agreement;
 - iii. any use or disclosure by the Contractor (including its personnel) of Confidential Information held or controlled in connection with this Agreement.
 - iv. Intellectual property breaches.

8. Termination

- a) If the Contractor acts in a manner which in the reasonable opinion of the CEO has a serious negative impact upon the Fund, the CEO may immediately terminate this Agreement.
- b) Other than termination in accordance with sub-clause (a), either Party may terminate this Agreement at any time by giving the other ten days' notice in writing of its intention to do so.

- c) Upon receipt of a notice to terminate:
 - i. the Parties will take all action necessary to cancel outstanding commitments relating to the Services under this Agreement and will use their best efforts to honour their respective prior commitments.
 - ii. The Fund will make payment for work satisfactorily completed up to the time of termination, up to the stated maximum.
- d) The Contractor will return all unexpended funds.
- e) Termination or expiry of this Agreement will not prejudice any rights or obligations of the Parties which exist, whether under this Agreement, at law or otherwise, prior to termination or expiry.
- f) Clauses 6, 7 and 8, and any other relevant provisions, will survive the termination or expiry of this Agreement.

9. Applicable Law

This Agreement shall be governed by the laws of the Virgin Islands and subject to the jurisdiction of the Virgin Islands Courts.

10. Dispute resolution

The Parties shall cooperate to carry out their obligations in good faith and shall endeavour to resolve any disagreement in an amicable manner, including through use of mediation and conciliation processes, prior to taking any Court action.

11. Variation of Agreement

This Agreement may be varied by written agreement of the Parties.

12. Counterparts

This Agreement may be executed in any number of counterparts (including by facsimile or electronic copies) each of which, when taken together, will constitute one and the same document.

Should these terms and conditions be acceptable to you, please sign below, also initial each page of the Agreement and its attachment, and return one copy of each to me.

Yours sincerely

(insert name of Fund CEO)
CEO
CCTF

(insert name of contractor)
(insert contractor position)
(insert name of contractor's company)

Attachment: Terms of Reference

Annex 10: Request for Tenders for Goods and Work

REQUEST FOR TENDERS – GOODS AND WORKS

CCTF (insert ID/file number)

Date: (insert date)

To: Interested suppliers

Contact: (Insert contact details of the staff member who can be contacted for further information)

Subject: Request for tenders: (Insert title)

1. Background

1.1. The primary purpose of the CCTF is to (insert summary of the Fund's mission and purpose).

1.2. For more information see: (insert website address).

2. Specifications: statement of requirement

2.1. The Fund would like to call for tenders from qualified supplier/engineering company to provide goods and engineering work for the following project: (insert title)

2.2. The successful applicant will need to provide (insert the nature, scope and quantity of the goods or services) by (insert date).

2.3. Describe any technical specifications or other instructions, e.g. list the terms of reference for the goods and/or work required for the assignment/project.

3. Conditions: information for applicants

3.1. To be considered for this tender, interested suppliers must meet the following conditions: list any conditions, i.e. financial performance/ guarantees, information or documents that potential suppliers must submit.

3.2. Applicants should declare any areas that may constitute conflict of interest related to this bid.

4. Submission guidelines

4.1. Tender documentation should demonstrate that the interested supplier satisfies the conditions stated above and is capable of meeting the specifications and timeframes. Documentation must also include supporting examples to address the evaluation criteria. Describe any additional minimum content and format requirements.

4.2. Tender documentation should outline the interested supplier's complete proposal: methods, personnel (and their skill sets/curricula vitae), timeframes and costs.

4.3 Tenderers/Bidders must insist on an acknowledgement of receipt of tenders/proposals/bids.

5. Tender Clarification

5.1. Any clarification questions from applicants must be submitted by email to (insert contact person) copy (insert email address, e.g. *tenders@cctf.vg*) before (insert date). A summary of all questions received with an associated response will be posted on the Fund's website (insert webpage address) by (insert date).

6. Evaluation criteria

6.1. The Fund will select a preferred supplier on the basis of the Fund's evaluation of the extent to which the documentation demonstrates that the tenderer offers the best value for money, and that the tenderer satisfies the following criteria.

6.2. e.g. Expertise in (insert required expertise; indicate any weighting applied to criteria)

6.3. e.g. Demonstrated experience in (insert required experience)

6.4. e.g. Familiarity with / comprehensive understanding of (insert requirements)

6.5. Describe any other factors to be considered in assessing submissions.

7. Deadline

7.1. The due date for submission of the tender is: (insert date)

7.2. Late submissions will be returned unopened to the sender.

7.3 Please send all tenders clearly marked 'TENDER: (insert Title of Tender) to:

Mail: (insert address).

Email: (insert email address, e.g. *tenders@cctf.vg*)

Person: Submit by hand in the tenders box at the Fund's reception, (insert address).

The Fund reserves the right to reject any or all tenders and the lowest or any tender will not necessarily be accepted. For any complaints regarding the Fund's tenders please refer to the Complaints section on the Fund's website.

Annex 11: Sample Goods and Works Contract

Contract for Goods and Works

(Insert short title for Contract)

(Insert Contract Reference number if applicable)

The Parties

(insert legal name of CCTF and address)

(Buyer)

and

(insert the legal name of the Supplier) (Supplier)

(insert address - for a company use the registered office. For others use physical address).

The Contract

Agreement

The Supplier agrees to sell and the Buyer agrees to buy the Goods/Works described in this Contract.

This Contract sets out the Parties' rights and obligations.

The documents forming this Contract are:

1. This page - Page 1
2. Contract Details and Description of Goods/Works - Schedule 1
3. Standard Terms and Conditions - Schedule 2
4. Any other attachments described at Schedule 1.

How to read this Contract

5. Together the above documents form the whole Contract.
6. Any Supplier terms and conditions do not apply.
7. Clause numbers refer to clauses in Schedule 2.
8. Words starting with capital letters have a special meaning. The special meaning is stated in the Definitions section at clause 17 (Schedule 2).

Acceptance

In signing this Contract each Party acknowledges that it has read and agrees to be bound by it.

For and on behalf of the Buyer:

For and on behalf of the Supplier:

Signature

Signature

Name:

Name:

Position:

Position:

Date:

Date:

Schedule 1

Contract Details and Description of Goods/Works

Start Date		Reference Schedule 2 clause 1
End Date		Reference Schedule 2 clause 1
Type of Contract	Goods and/or Works	

Contract Managers		Buyer's Contract Manager	Supplier's Contract Manager
Reference Schedule 2 clause 6	Name:		
	Title/position:		
	Address:		
	Phone:		
	Fax:		
	Email:		

Addresses for Notices		Buyer's address	Supplier's address
Reference Schedule 2 clause 14	For the attention of:	(Insert contract manager or senior manager)	(Insert contract manager or senior manager)
	c.c.		
	Delivery address:		
	Postal address:		
	Fax:		
	Email:		

Delivery timeframe	The Goods must be delivered within (insert number) Business Days from the date of order.
Reference Schedule 2 clause 2.7	OR (insert specific date)
Delivery Address	(Insert physical delivery address or addresses if more than one)
Reference Schedule 2 clause 2.7	
Delivery note	The Supplier will provide a delivery note along with the Goods when delivered. (optional)

Description of Goods/Works
(Insert a comprehensive & concise description of the Goods to be delivered and works to be performed. Use the headings for guidance and the questions as prompts.)
Context (optional) (Describe the background to the purchase of the Goods and/or works to be performed.) (What are the overarching goals, objectives and outcomes you want to achieve?)
Description of Goods/Construction Works to be performed (Provide short description of the nature of the Goods being purchased. Include any product codes

or serial numbers, and any specific certifications or standards that the Goods must comply with; and/or short description or works or constructions to be performed, including the construction technical specifications.)

Performance Standards

(Describe the quality standards or key performance indicators that apply to the Goods or the supply of the Goods and/or the construction works to be performed)

Specific code of conduct / health & safety / legislative requirement/s (optional)

(Reference any specific code of, health & safety or legislative requirement/s the Supplier must be aware of in supplying the Goods and/or performance of constructions and civil engineering work. These can be noted in the 'Attachments' box at the end of Schedule 1. Attach a copy and/or provide a web address where the document/s can be located.)

Transfer of Records (optional)

(If appropriate – include details of the Records that the Supplier must transfer to the Buyer during the term of the Contract, or at the end of the Contract. Make this a specific Deliverable under the Contract.)

CHARGES: The following section sets out the Charges. Charges are the total maximum amount payable by the Buyer to the Supplier for delivery of the Goods and performance of work/construction/engineering work. Charges include Cost, and where agreed, Expenses. The Charges for this Contract are set out below.

Cost Reference Schedule 2 clause 5	If Contract is for goods purchase, list the cost in the table below by items: (If Buyer is to pay Expenses for delivery state these in 'Expenses' below.) (Specify any discount for early payment.)	
	If Contract is for Works to be performed: Provide the cost of work in detailed, including design cost, all relevant expenses for the work; attach a separate cost breakdown to this contract, including timeline for the construction and completion of work.	
	Item / model / product number	Unit cost (excl. tax/duty)
	(Insert item description or model number)	(Insert price)
	(Insert item description or model number)	(Insert price)
	(Insert item description or model number)	(Insert price)
	(Insert item description or model number)	(Insert price)
	(Insert item description or model number)	(Insert price)
	Total Cost (excl. tax/duty)	(Insert total)

Expenses Reference Schedule 2 clause 5	Specific items and agreed cost per item - specified Expenses		
	Item of Expense	Cost or rate (excl. tax/duty)	Total max cost (excl. tax/duty)
	e.g. freight / courier / insurance	(insert cost per item)	(insert total cost)
	e.g. packaging costs	(insert cost per item)	(insert total cost)
	e.g. storage	(insert cost per item)	(insert total cost)

		(insert cost per item)	(insert total cost)
		(insert cost per item)	(insert total cost)
		Total Expenses (excl. tax/duty)	(insert total)

Invoices Reference Schedule 2 clause 5	The Supplier must send the Buyer an invoice for the Charges at the following times: At the end of the month, for Goods delivered during that month.
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Addresses for invoices Reference Schedule 2 clause 5		Buyer's address
	For the attention of:	
	Physical address:	
	Postal address:	
	Email:	If you allow invoices to be sent by email – otherwise delete
	Fax:	If you allow invoices to be sent by fax – otherwise delete

Attachments Reference 'Contract documents' described at Page 1	(Describe any attachments to this Contract. This includes any specific code of conduct, health & safety or legislative requirement the Supplier must be aware of in delivering the Goods. Attach a copy and/or provide a web address where the document can be located – otherwise state 'None')
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Schedule 2

Standard Terms and Conditions – Goods/Works

1. Length of Contract

1.1 This Contract starts on the Start Date.

1.2 This Contract ends on the End Date, unless terminated earlier.

2. Supply of Goods/or Performance of work/engineering

Both Parties' obligations

2.1 Both Parties agree to:

- a) Act in good faith and demonstrate honesty, integrity, openness, and accountability in their dealings with each other
- b) Discuss matters affecting this Contract or the supply of the goods, whenever necessary
- c) Notify each other immediately of any actual or anticipated issues that could: i) significantly impact the goods or the charges; ii). Receive media attention; and
- d) Comply with all applicable laws and regulations.

Orders

2.2 If this Contract is for a one-off purchase of goods, the signing of this Contract by both Parties is the order for the goods.

2.3 If this Contract is for the ongoing supply of goods, the Buyer will place orders for the goods with the Supplier from time to time. Each order must: a) be in writing; b) be sent by post, fax, email, or other electronic means; c) specify the volume and type of goods ordered; and d) be in any form that is agreed between the Buyer and the Supplier.

2.4 The goods are supplied under the terms of this Contract. Any Supplier terms and conditions stated in its sales order form, delivery receipt, or elsewhere do not apply.

2.5 If this contract is for works, the signing of contract commits supplier to undertake all designing, engineering, and construction work for the project.

Buyer's obligations

2.6 The Buyer must pay the Supplier the charges for the goods as long as the Supplier has delivered the goods and invoiced the Buyer, all in accordance with this Contract. The buyer must pay the cost of the construction work, engineering design and guarantee of the performance of the final work completed, according to the list of cost breakdown by the time of work completion.

Supplier's obligations

2.7 The Supplier must supply goods which meet the Description of Goods in Schedule 1, the requirements of this Contract, and which are supplied in accordance with orders from the Buyer.

2.8 The Supplier must deliver the goods to the delivery address stated in Schedule 1, or such other address the Buyer specifies, on time, and for the charges. It is essential that goods are delivered on time.

2.9 The Supplier must notify the Buyer immediately in writing if the Supplier becomes aware of any actual or possible delay in delivery of the goods.

2.10 If a warranty or maintenance obligation (including a warranty from a manufacturer) applies in relation to the goods or any items incorporated into or supplied with the goods, the Supplier must ensure that the benefit of the warranty or obligation is passed on to the Buyer.

2.11 The supplier must carry out the work according to the schedule of performance and specification of engineering design. If there is any potential delay of performance, supplier will be responsible for the damage to the buyer and compensate the buyer per contract agreement.

Goods must satisfy criteria

2.12 The goods must:

- a) Be of merchantable quality and free from defects in design, materials or construction
- b) Be fit for the purposes for which they are intended to be used
- c) Comply with the Description of Goods stated in Schedule 1
- d) Comply with any sample of the goods provided by the Supplier, except if the Buyer has agreed otherwise in writing
- e) Be new and unused, unless the Buyer has agreed otherwise in writing, and
- f) Be packaged so as to protect the contents and keep them clean, dry and in a new condition until they are first used, if appropriate.

Supplier warranties

2.13 The Supplier warrants that:

- a) the goods do not breach any law or standard
- b) Supply of the goods in accordance with this Contract will not infringe the rights of any person
- c) When ownership is stated to pass in this Contract, full ownership of the goods passes to the Buyer and no-one else has any rights in the goods
- d) All Goods supplied to the Buyer comply with all of the criteria stated in clause 2.10
- e) Any documentation supplied with the goods is adequate (in terms of both quantity and quality) to enable the Buyer to use and maintain the goods in the manner intended by the Buyer
- f) All information provided by the Supplier to the Buyer is accurate, and
- g) The Supplier has told the Buyer about any conflict of Interest relating to the supply of goods or this Contract.

Spare parts

2.14 If stated in Schedule 1 the Supplier must maintain an adequate stock of spare parts and equipment for the goods, for supply to the Buyer as and when required.

3. Acceptance and rejection of goods

Inspection and acceptance

3.1 The signing of a delivery note by any of the Buyer's Personnel does not indicate the Buyer's acceptance of the goods.

3.2 If, following the Buyer's inspection of the goods, any of the goods do not meet the requirements of this Contract, then the Buyer may, within a reasonable time after completing the inspection, do any of the following at the Buyer's option, but at the Supplier's cost:

- Require the Supplier to repair the goods
- Require the Supplier to replace the goods, or
- Reject the goods.

3.3 The Buyer must give Notice to the Supplier if it decides to exercise any of the options under clause 3.2.

Repair or replacement

3.4 If the Supplier receives a notice from the Buyer to repair or replace the goods, the Supplier must promptly repair or replace the goods in question, so that the goods (or replacement goods) comply with the warranties in clause 2.13.

3.5 If the Buyer is not satisfied with the Supplier's progress in repairing or replacing the goods, the Buyer may either:

- Reject the goods, in which case clauses 3.6 to 3.7 will apply; or
- Arrange for the goods to be repaired by someone else, in which case the Supplier will reimburse all costs and expenses incurred by the Buyer in doing so.

Rejection

3.6 If the Supplier receives a Notice from the Buyer rejecting the goods, it must remove any rejected goods from the Buyer's premises at its own risk and expense. If the Supplier does not remove the rejected goods within 15 business days of notice of rejection, the Buyer may return the goods and recover from the Supplier any cost and expense incurred.

3.7 If the Buyer rejects any goods, the Supplier, at the Supplier's cost, will do whichever one of the following the Buyer elects. The Buyer must state the action required in its Notice issued under clause 3.3:

- a) Provide a full refund of the charges paid for the rejected goods, within 10 business days of the Buyer electing to receive a refund, or
- b) Provide a credit for the charges paid for the rejected goods, against the charges payable for other goods, or
- c) Promptly replace the rejected goods with goods that meet the requirements of this Contract.

No limitation

3.8 The Buyer's rights under clauses 3.2 to 3.7 are in addition to, and do not limit, any other rights or remedies the Buyer may have.

4. Ownership and risk

Ownership of Goods

4.1 Ownership of the goods passes to the Buyer on the earlier of:

- a) The date the Buyer has paid the charges for those goods, or
- b) The date those goods have been delivered.

4.2 Risk in the goods passes to the Buyer on the date those goods have been delivered.

4.3 Ownership and risk in any goods rejected by the Buyer under clauses 3.6 to 3.7 will pass back to the Supplier as follows:

- a) If the Buyer has paid the charges for those rejected goods, once the Supplier has provided a refund, credit or replacement in accordance with clause 3.7, and
- b) In all other cases, when the Goods are collected from the place to which they were delivered.

4.4 Ownership of any replaced goods by the Supplier under clauses 3.2 to 3.5 will pass back to the Supplier once the Supplier has delivered the replacement goods.

5. Charges and payment

Charges & invoices

5.1 The charges are the total maximum amount payable by the Buyer to the Supplier for the delivery of the goods. Charges include the cost, and where agreed, expenses. For engineering or construction work, charges are the total maximum amount payable to the supplier/engineering company for the performance or work, or construction of engineering structures.

5.2 Unless otherwise stated in Schedule 1 the charges for the goods include all of the following:

- a) Costs of shipping, carriage and freight
- b) Insurance charges
- c) Customs duties and clearance charges, and
- d) Other costs incurred by the Supplier in delivering the goods to the Buyer.

Invoices

5.3 The Supplier must provide valid tax invoices for all charges on the dates or at the times specified in Schedule 1. The Buyer has no obligation to pay the charges set out on an invoice, which is not a valid tax invoice. To be valid a tax invoice must:

- a) Clearly show all tax/duty due
- b) Be in the currency stated in Schedule 1
- c) Be clearly marked 'Tax invoice'
- d) Contain the Supplier's name, address and tax/duty number, if the Supplier is registered for tax/duty
- e) Contain the Buyer's name and address and be marked for the attention of the Buyer's Contract Manager, or such other person stated in Schedule 1
- f) State the date the invoice was issued
- g) Name this Contract and provide a description of the goods delivered
- h) Contain the Buyer's contract reference or purchase order number if there is one
- i) State the charges due, calculated correctly, and
- j) Be supported by tax/duty receipts if expenses are claimed and any other verifying documentation reasonably requested by the Buyer.

Payment

5.4 If the Buyer receives a valid tax invoice on or before the 3rd Business Day of the month, the Buyer must pay that tax invoice by the 20th calendar day of that month. Any valid tax invoice received after the 3rd Business Day of the month will be paid by the Buyer on the 20th calendar day of the month following the month it is received. The Buyer's obligation to pay is subject to clauses 5.3, 5.5 and 12.10.

5.5 If the Buyer disputes a tax invoice, or any part of a tax invoice, that complies with clause 5.3, the Buyer must notify the Supplier within 10 business days of the date of receipt of the tax invoice. The Buyer must pay the portion of the tax invoice that is not in dispute. The Buyer may withhold payment of the disputed portion until the dispute is resolved.

6. Contract management

Contract Manager

6.1 The persons named in Schedule 1 as the Contract Managers are responsible for managing the Contract, including:

- a) Managing the relationship between the Parties
- b) Overseeing the effective implementation of this Contract, and
- c) Acting as a first point of contact for any issues that arise.

Changing the Contract Manager

6.2 If a Party changes its Contract Manager it must tell the other Party, in writing, the name and contact details of the replacement within 5 business days of the change.

7. Information management

Information and Records

7.1 The Supplier must:

- a) Keep and maintain records in accordance with prudent business practice and all applicable laws
- b) Make sure the Records clearly identify all relevant time and expenses incurred in providing the goods and/or construction performance
- c) Make sure the records are easy to access, and
- d) Keep the records safe.

7.2 All information provided by the Supplier must be in a format that is usable by the Buyer, and delivered within a reasonable time of the request. Supplier must give information to the Buyer relating to the goods that the Buyer purchased.

7.3 The Supplier must co-operate with the Buyer to provide information immediately if the information is required by the Buyer to comply with an enquiry or its reporting obligations.

7.4 The Supplier must make its records available to the Buyer during the term of the Contract and for 7 years after the end date (unless already provided to the Buyer earlier).

7.5 The Supplier must make sure that records provided by the Buyer, or created for the Buyer, are securely managed and securely destroyed on their disposal.

Reports

7.6 The Supplier must prepare and give to the Buyer the reports stated in Schedule 1, by the due dates stated in Schedule 1.

8. The contractual relationship

Independent contractor

8.1 Nothing in this Contract constitutes a legal relationship between the Parties including partnership, joint venture, agency, or employment. The Supplier is responsible for the liability of its own, and its personnel's, salary, wages, holiday or redundancy payments and any duty, corporate, personal and other taxes, insurance premiums or other levies attributable to the Supplier's business or the engagement of its Personnel.

Neither Party can represent the other

8.2 Neither Party has authority to bind or represent the other Party in any way or for any purpose.

Permission to transfer rights or obligations

8.3 The Supplier may transfer any of its rights or obligations under this Contract only if it has the Buyer's prior written approval. The Buyer will not unreasonably withhold its approval.

9. Insurance

Where insurance is a requirement

9.1 It is the Supplier's responsibility to ensure its risks of doing business are adequately covered, whether by insurance or otherwise. If required in Schedule 1, the Supplier must have the insurance specified in Schedule 1 and the Supplier must:

- a) Take out insurance, with a reputable insurer, and maintain that insurance cover for the term of this Contract and for a period of 3 years after the End Date, and
- b) Within 10 business days of a request from the Buyer provide a certificate confirming the nature of the insurance cover and proving that each policy is current.

10. Conflicts of Interest

Avoiding Conflicts of Interest

10.1 The Supplier warrants that at the start date, it has no conflict of Interest in supplying the goods, providing construction and engineering work, or entering into this Contract.

10.2 The Supplier must do its best to avoid situations that may lead to a conflict of interest.

Obligation to tell the Buyer

10.3 The Supplier must tell the Buyer immediately, and in writing, if any conflict of interest arises in relation to the goods or works in this Contract. If a conflict of interest does arise the Parties must discuss, agree and record in writing whether it can be managed and, if so, how it will be managed. Each Party must pay its own costs in relation to managing a conflict of interest.

11. Resolving disputes

Steps to resolving disputes

11.1 The Parties agree to use their best endeavours to resolve any dispute or difference that may arise under this Contract. The following process will apply to disputes:

- a) A Party must notify the other if it considers a matter is in dispute
- b) The Contract Managers will attempt to resolve the dispute through direct negotiation
- c) If the Contract Managers have not resolved the dispute within 10 business days of notification, they will refer it to the Parties' senior managers for resolution, and
- d) If the senior managers have not resolved the dispute within 10 business days of it being referred to them, the Parties shall refer the dispute to mediation or some other form of alternative dispute resolution.

11.2 If a dispute is referred to mediation, the mediation will be conducted:

- a) By a single mediator agreed by the Parties, or if they cannot agree, refer to the courts.
- b) At a fee to be agreed by the Parties.

11.3 Each Party will pay its own costs of mediation or alternative dispute resolution under clause 11.

Obligations during a dispute

11.4 If there is a dispute, each Party will continue to perform its obligations under this Contract as far as practical given the nature of the dispute.

Taking court action

11.5 Each Party agrees not to start any court action in relation to a dispute until it has complied with the process described in clause 11.1, unless court action is necessary to preserve a Party's rights.

12. Ending this Contract

Termination by the Supplier

12.1 The Supplier may terminate this Contract by giving 20 business days' notice to the Buyer, if the Buyer fails to pay charges that are properly due, and are not in dispute under clause 5.5. The charges must be overdue by 20 business days and the Supplier must have first brought this to the Buyer's attention in writing within this period.

12.2 At any time during the term of this Contract the Supplier may notify the Buyer that it wishes to terminate this Contract. The Buyer will, within 20 business days following receipt of the Supplier's Notice, notify the Supplier whether, in its absolute discretion, it consents to the Supplier's Notice of termination. If the Buyer: a) consents, the Contract will be terminated on a date that is mutually agreed between the Parties, or b) does not consent, the Contract will continue in full force as if the Supplier's Notice of termination had not been given.

12.3 The Supplier may also terminate this Contract under clause 12.9.

Termination by the Buyer

12.4 The Buyer may terminate this Contract at any time by giving 20 business days' notice to the Supplier.

12.5 The Buyer may terminate this Contract immediately, by giving notice, if the Supplier:

- a) Becomes bankrupt or insolvent
- b) Has an administrator, receiver, liquidator, statutory manager, mortgagee's or chargee's agent appointed
- c) Becomes subject to any form of external administration
- d) Ceases for any reason to continue in business or to supply the goods
- e) Is unable to supply the goods for a period of 20 business days or more due to an extraordinary event
- f) Requires the supply of goods within the period of an extraordinary event
- g) Is in breach of any of its obligations under this Contract and the breach cannot be remedied
- h) Repeatedly fails to perform or comply with its obligations under this Contract, whether those obligations are minor or significant
- i) Does something, or fails to do something, that, in the Buyer's opinion, results in damage to the Buyer's reputation or business
- j) Has a conflict of interest that in the Buyer's opinion is so material as to impact adversely on the supply of the goods or the Buyer, or
- k) Provides information to the Buyer that is misleading or inaccurate in any material respect.

Termination by a Party if a breach has not been remedied

12.6 If a Party fails to meet the requirements of this Contract (defaulting Party) and the other Party (non-defaulting Party) reasonably believes that the failure can be remedied, the non-defaulting Party must give notice (default notice) to the defaulting Party.

12.7 A default notice must state:

- a) The nature of the failure
- b) What is required to remedy it, and
- c) The time and date by which it must be remedied.

12.8 The period allowed to remedy the failure must be reasonable given the nature of the failure.

12.9 If the defaulting Party does not remedy the failure as required by the default notice, the non-defaulting Party may terminate this Contract immediately by giving a further notice.

12.10 If the Buyer gives a default notice to the Supplier, the Buyer may also do one or both of the following things:

- a) Withhold any payment of cost due until the failure is remedied as required by the default notice, and/or
- b) If the failure is not remedied as required by the default notice, deduct a reasonable amount from any cost due to reflect the reduced value of the goods to the Buyer.

Supplier's obligations on termination or expiry of this Contract

12.11 On giving or receiving a notice of termination, the Supplier must:

12.12 a) stop supplying the Goods

b) comply with any conditions contained in the Notice, and

c) immediately do everything reasonably possible to reduce its losses, costs, and expenses, arising from the termination of this Contract.

On termination or expiry of this Contract, the Supplier must, if requested by the Buyer, immediately return or securely destroy all Confidential Information and other material or property belonging to the Buyer.

Consequences of termination or expiry of this Contract

12.13 The termination or expiry of this Contract does not affect those rights of each Party which: a) accrued prior to the time of termination or End Date, or b) relate to any breach or failure to perform an obligation under this Contract that arose prior to the time of termination or End Date.

12.14 If this Contract is terminated the Buyer:

- a) Will only be liable to pay charges that were due for goods delivered before the effective date of termination, and/or the completed work performed by the Supplier;
- b) May recover from the Supplier, or set off against sums due to the Supplier, any charges paid in advance that have not been incurred.

Handover

12.15 If the Buyer requests it, the Supplier will provide all reasonable assistance to support any replacement supplier to supply the goods and/or in case construction/ engineering work, provide alternative mode for continuation of work with agreement with the Buyer.

13. Confidential Information

Protection of Confidential Information

13.1 Each Party confirms that it has adequate security measures to safeguard the other Party's Confidential Information from unauthorized access, or use by third parties, and that it will not use or disclose the other Party's Confidential Information to any person or organization other than:

- a) To the extent that use or disclosure is necessary for the purposes of providing the goods, or in the case of the Buyer, using the goods
- b) If the other Party gives prior written approval to the use or disclosure
- c) If the use or disclosure is required by law, ministers, or parliamentary convention, or
- d) In relation to disclosure, if the information has already become public, other than through a breach of the obligation of confidentiality by one of the Parties.

Obligation to inform staff

13.2 Each Party will ensure that its personnel:

- a) Are aware of the confidentiality obligations in this Contract, and
- b) Do not use or disclose any of the other Party's Confidential Information except as allowed by this Contract.

14. Notices

Delivery of Notices

14.1 All Notices to a Party must be delivered by hand or sent by post, courier, fax or email to that Party's address for Notices stated in Schedule 1.

14.2 Notices must be signed, or in the case of email sent, by the appropriate manager or person having authority to do so.

Receipt of Notices

14.3 A notice will be considered to be received:

- a) If delivered by hand, on the date it is delivered
- b) If sent by post within the Virgin Islands, on the 3rd Business Day after the date it was sent
- c) If sent by post internationally, on the 10th Business Day after the date it was sent
- d) If sent by courier, on the date it is delivered
- e) If sent by fax, on the sender receiving a fax machine report that it has been successfully sent, or
- f) If sent by email, at the time the email enters the recipient's information system as evidenced by a delivery receipt requested by the sender and it is not returned undelivered or as an error.

14.4 A notice received after 5pm on a business day, or on a day that is not a business day, will be considered to be received on the next business day.

15. Extraordinary Events

No fault if failure to deliver due to an Extraordinary Event

15.1 Neither Party will be liable to the other for any failure to perform its obligations under this Contract where the failure is due to an extraordinary event.

Obligations of the affected Party

15.2 A Party who wishes to claim suspension of its obligations due to an extraordinary event must notify the other Party as soon as reasonably possible. The notice must state:

- a) The nature of the circumstances giving rise to the extraordinary event
- b) The extent of that Party's inability to perform under this Contract
- c) The likely duration of that non-performance, and
- d) What steps are being taken to minimize the impact of the extraordinary event on the delivery of the goods.

Alternative arrangements requiring immediate termination

15.3 If the Buyer, acting reasonably, requires the goods to be supplied during a period affected by an extraordinary event, then despite clause 15.4, the Buyer may terminate this Contract immediately by giving notice.

Termination of Contract

15.4 If a Party is unable to perform any obligations under this Contract for 20 business days or more due to an extraordinary event, the other Party may terminate this Contract immediately by giving notice.

16. General

Changes to this Contract

16.1 Any change to this Contract is called a variation. A variation must be agreed by both Parties and recorded:

- a) in writing and signed by both Parties, or
- b) through an exchange of emails where the authors have delegated authority to approve the variation.

This is the entire Contract

16.2 This Contract, including any Variation, records everything agreed between the Parties relating to the supply of the goods. It replaces any previous communications, negotiations, arrangements or agreements that the Parties had with each other relating to the supply of the goods before this Contract was signed, whether they were verbal or in writing.

Waiver

16.3 If a Party breaches this Contract, and the other Party does not immediately enforce its rights resulting from the breach that:

- a) does not mean that the Party in breach is released or excused from its obligation to perform the obligation at the time or in the future, and
- b) does not prevent the other Party from exercising its rights resulting from the breach at a later time.

Publication of information about this Contract

16.4 The Supplier may disclose the existence of this Contract but must obtain the Buyer's prior written approval before making reference to the Buyer or this Contract in its publications, public statements, promotional material or promotional activities about this Contract.

16.5 Each Party agrees not to post on websites or social networking sites and not to publicly display objectionable or derogatory comments about the goods, this Contract, each other, or any personnel and to ensure that its personnel do not do so.

Signing the Contract

16.6 The date of execution is date this Contract is signed. This Contract is properly signed if each Party signs the same copy, or separate identical copies, of Page 1. If this Contract is signed on two separate dates or separate copies are signed, the date of execution is the later of the two dates. Where separate copies are signed the signed copy can be the original document, or a faxed or emailed copy.

Clauses that remain in force

16.7 The clauses that by their nature should remain in force on expiry or termination of this Contract do so, including clauses: 7 (Information management), 9 (Insurance), 11 (Resolving disputes), 12 (Ending this Contract), 13 (Confidential Information), 16 (General) and 17 (Definitions).

Precedence

16.8 If there is any conflict or difference between the documents forming this Contract (as stated on Page 1) then the order of precedence is:

- a) a variation agreed between the Parties under clause 16.1
- b) Schedule 1
- c) any attachment to Schedule 1
- d) Schedule 2.

17. Definitions

17.1 When used in this Contract the following terms have the meaning beside them:

Attachment- Any supplementary document named in Schedule 1 as an Attachment to this Contract.

Business Day- A day when most businesses are open for business in the Virgin Islands. It excludes Saturday, Sunday and public holidays. A business day starts at 9.00am and ends at 5pm.

Buyer- The Buyer is the purchaser of the goods and/or engineering works/constructions.

Charges- The total amount payable by the Buyer to the Supplier as stated in Schedule 1. The Supplier's charges include costs and any expenses stated in Schedule 1, in case of goods contract; charges include costs and any expenses to undertake engineering work/constructions, in case of a works contract. Charges are payable on successful delivery of goods and/or completion of performance of engineering work/constructions, provided a valid tax invoice has been submitted.

Confidential Information- Information that:

- a) is by its nature confidential
- b) is marked by either Party as 'confidential', 'in confidence', 'restricted' or 'commercial in confidence'
- c) is provided by either Party, or a third party 'in confidence'
- d) either Party knows or ought to know is confidential, or
- e) is of a sensitive nature or commercially sensitive to either Party.

Conflict of Interest- A conflict of interest arises if a Party or its personnel's personal or business interests or obligations do or could conflict or be perceived to conflict with its obligations under this Contract. It means that its independence, objectivity or impartiality can be called into question. A conflict of interest may be:

- a) actual: where the conflict currently exists
- b) potential: where the conflict is about to happen, or could happen
- c) perceived: where other people may reasonably think that a person is compromised.

Contract- The legal agreement between the Buyer and the Supplier that comprises Page 1 (the front sheet), Schedule 1, this Schedule 2, any other Schedule, and any variation and attachment.

Contract Manager- The person named in Schedule 1 as the Contract Manager. Their responsibilities are listed in clause 6.

Cost- The amount payable to the Supplier for the goods calculated on the basis stated in Schedule 1 excluding any expenses. The amount payable to the Supplier/Company for undertaking engineering work/construction with detailed cost breakdown attached to this contract.

Delivery Address- The address where the Supplier must deliver the goods as specified in Schedule 1 or such other address as specified by the Buyer. In case of works contract, the specified address/location where the construction work is to be performed.

Description of Goods- The specific requirements for the goods as described in Schedule 1.

End Date- The earlier of the date this Contract is due to end as stated in Schedule 1, the date of termination as set out in a notice of termination, or any other date agreed between the Parties as the date the Contract is to end.

Description of Works- The specific requirements for engineering work, design, specifications of the work and other related construction information as described in Schedule 1.

Expenses- Any actual and reasonable out-of-pocket costs incurred by the Supplier in the delivery of the goods or performance of works and agreed to by the Buyer in Schedule 1.

Extraordinary Event- An event that is beyond the reasonable control of the Party immediately affected by the event (including where the Buyer has failed to make due payment because of an event beyond its reasonable control). An extraordinary event does not include any risk or event that the Party claiming could have prevented or overcome by taking reasonable care. Examples include:

- a) acts of God, lightning strikes, earthquakes, hurricanes, volcanic eruptions, floods, storms, explosions, fires, pandemics and any natural disaster
- b) acts of war (whether declared or not), invasion, actions of foreign enemies, military mobilization, requisition or embargo
- c) acts of public enemies, terrorism, riots, civil commotion, malicious damage, sabotage, rebellion, insurrection, revolution or military usurped power or civil war, or
- d) contamination by radioactivity from nuclear substances or germ warfare or any other such hazardous properties.

Goods- The goods described in Schedule 1 that the Supplier must supply under this Contract.

Works- Engineering or constructions to be carried out by the Supplier/Company under this contract.

Notice- A formal or legal communication from one Party to the other that meets the requirements of clause 14.

Party- The Buyer and the Supplier are each a Party to this Contract, and together are the Parties.

Personnel- All individuals engaged by either Party in relation to this Contract, or the supply of goods. Examples include: the owner of the business, its directors, employees, subcontractors, agents, external consultants, specialists, technical support and co-opted or seconded staff.

Records- All information and data necessary for the management of this Contract, the supply of Goods and/or performance of engineering work or construction. Records include but are not limited to, reports, invoices, letters, emails, notes of meetings, photographs and other media recordings. Records can be printed hard copies or soft copies stored electronically.

Schedule- An attachment to this Contract with the title 'Schedule'.

Start Date- The date when this Contract starts as stated in Schedule 1.

Supplier- The person, business, company or organisation named as the Supplier on page 1. It includes its Personnel, successors, and permitted assignees.

Variation- A change to any aspect of this Contract that complies with clause 16.1.

Annex 12: Tender Evaluation and Recommendation

TENDER EVALUATION

File: (Insert file no. / name)
Date: (Insert date)
To: (Insert person with delegated authority and Human Resource Adviser)
From: Chairperson
Subject: Tender Evaluation and Recommendation: (Insert title)

1. Requirement / Terms of reference

1.1. Briefly outline the requirement or the consultancy's terms of reference.

2. Recommendation

2.1. The evaluation committee recommends that the Fund awards the contract to: (insert supplier).

2.2. This recommendation is on the basis that the information (insert supplier) tendered demonstrated that they satisfied the conditions, are fully capable of undertaking the contract, and will provide the best value for money. Further information is provided in the committee's evaluation below.

3. Conditions and evaluation criteria

3.1. The conditions that were stated in the Fund's advertisement/statement of requirement were: (insert any conditions).

3.2. The specific evaluation criteria were: (insert criteria, e.g. the consultant expertise required, and give each criterion a number for reference in the table of evaluations below).

3.3. The general criteria evaluated the relative value for money represented by the proposals, i.e. (delete any not relevant):

- a) costs – direct and indirect benefits/costs over the whole procurement cycle;
- b) quality and fitness for purpose;
- c) environmental considerations;
- d) convenience and timeliness;
- e) the relative risks, including the performance history of the suppliers;
- f) the flexibility to adapt to change over the lifecycle of the goods or service;
- g) favourability of proposed contract terms (e.g. contract extension options).

4. Budget

4.1 State the budget allowed for this activity.

5. Recommendation and evaluation

5.1. The evaluation committee members were: (give names and job titles).

5.2. The Fund received proposals from (insert number) potential suppliers within the deadline. Of these:

- (insert number) met the conditions set as prerequisites for participation and were evaluated against the criteria;
- The evaluation committee scored each of these proposals out of (insert number) for each criterion (note if any criteria were weighted more heavily than others – e.g. 20 points for costs; 10 points for experience). Scores against the criteria ranged from (insert number) to (insert number) out of a possible (insert number);
- In summary, our evaluations were:

Prospective supplier	Value for money		Total score					TOTAL
	\$ quote (USD)	Score	(1)	(2)	(3)	(4)	(5)	

- We concluded that (insert number) of the proposals were competitive: (supplier X, supplier Y and supplier Z), and agreed to recommend awarding the contract to (supplier X).
- (Optional: The strengths of supplier X were: A, B, C)
- (Optional: The strengths of supplier Y were: A, B, C)
- (Optional: The strengths of supplier Z were: A, B, C)

5.3. Signed by:

(Insert name)

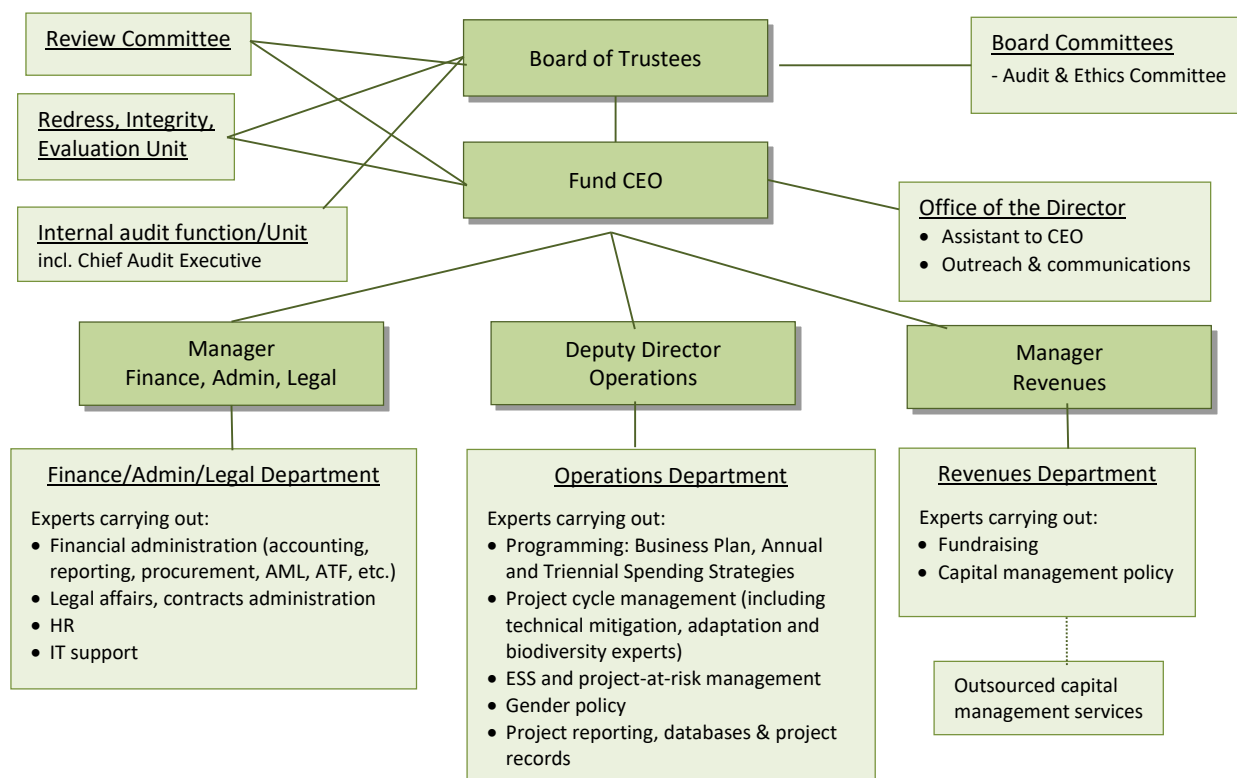
Chairperson of the Evaluation Committee

Operational Manual

for the Virgin Islands Climate Change Trust Fund (CCTF)

Additions that can be adopted later to comply with GCF DAE requirements

Figure 1.1: Organisational structure of the Fund



1.6. Terms of Reference of the Review Committee of the Fund

Please refer to section 4.3.

1.7. Terms of Reference of the Audit and Ethics Committee

Please refer to section 9.4.

1.8. Terms of Reference of the Independent Redress Mechanism

Please refer to section 4.11.

1.9. Terms of Reference of the Independent Integrity Unit

Please refer to section 9.6.

1.10. Terms of Reference of the Independent Evaluation Unit

I. Background

The terms of reference of the Independent Evaluation Unit (IEU) are based on the Fund Act, Fund Operational Manual and the specific functions of the Fund, its scope of activities, size and structure.

II. Objectives

The IEU shall have the following objectives:

- 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; and
- 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.

III. Independence of evaluation and role of the Board

The evaluation function of the Fund will be located independently from the other management functions so that it can be free from undue influence. It will have full discretion in directly submitting its reports to the Board. The Head of the IEU will be appointed by, and report to, the Board. 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.

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

IV. Responsibilities

The IEU will be responsible for conducting, or managing by contracting consultants, the types of evaluations mentioned in section 4 of the present Operational Manual (especially section 4.7), using as much as possible internally generated data streams and analytical outputs, and applying evaluation norms and standards recommended by the Green Climate Fund. 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.

Should the Board commission an independent assessment of the overall performance of the Fund, the IEU would support the work involved in such assessment.

The IEU will be responsible to develop and update reports to be submitted by the IEU to the Board, such as: three year-rolling evaluation work plans including evaluation principles and methods to be applied; the annual work programme and budget of the IEU; and, progress reports in the implementation of IEU recommendations.

Furthermore, taking into account experience and recommendations from the Green Climate Fund, and in light of the results of its evaluations, the IEU will make recommendations to the Board to improve the Fund's performance indicators and its results management framework.

The IEU will synthesize the findings and lessons learned from its evaluations to inform the Board and the CEO as well as stakeholders.

The IEU will participate in relevant evaluation networks to ensure that it is informed of good international evaluation practice.

V. Types of evaluation

If the Fund supports projects in several countries or territories, the IEU may carry out country portfolio evaluations.

The IEU may also perform thematic evaluations of the different types of activities that the Fund will finance, such as those belonging to a specific priority spending area of the Fund as defined in the Fund's Spending Strategy.

The IEU may also perform evaluations of completed or ongoing single projects or programmes supported by the Fund.

Evaluations will be typically performed by independent consultants managed by the IEU and sourced using the Fund's Procurement Manual.

VI. Evaluation criteria

The evaluation criteria to be used by IEU will include the following:

- a) Relevance, effectiveness, efficiency, impact and sustainability of projects and programmes;
- b) Coherence in climate finance delivery with other relevant climate finance sources;
- c) Gender equity;
- d) Innovativeness (extent to which supported interventions may lead to low-emission and climate resilient development pathways);
- e) Replication and scalability - the extent to which the activities can be scaled up in other locations within the country or replicated in other countries; and
- f) Unexpected results, both positive and negative.

VII. Feedback and knowledge management

IEU evaluations will be published on the Fund's dedicated website.

Evaluation results should feed back into the project preparation and appraisal procedures of the Fund, thus contributing to enhancing the quality of future funded activities. To facilitate this process, the IEU will periodically prepare brief notes synthesizing lessons learned from evaluations.

4.8. Project-at-Risk Management System

The Fund shall implement a risk management system fully integrated into the Fund's project cycle management system and aligned and integrated with the Fund's Environmental and Social Safeguards Policy. The Fund's project-at-risk system shall flag early on when a project has developed problems that may interfere with the achievement of its objectives, and shall allow responding accordingly to redress the problems.

To implement the project-at-risk system, the Fund shall ensure that risk management functions are differentiated from project implementation and project supervision responsibilities.

The following risks shall be identified and managed for each project supported by the Fund and throughout the project cycle:

- Implementation risk, including the risk that a Fund contractor (the entity signing a project contract with the Fund) does not perform and/or invest as obligated.
- Technical risk, including the risk of technology that is being invested in using Fund support.
- Counter-party risk, including the risk that a Fund contractor, subcontractor or beneficiary does not invest or reimburse Fund support as obligated.
- Market risk, including price movements and other risks related to changing market environments.
- Foreign exchange risks, in case foreign currencies are involved as part of a Fund-contractor agreement.
- Climate changes related risks, including for example, hurricanes, extreme weather events, floods, etc.
- Country risks, including risks related to war, civil disturbance, expropriation, breach of contract.

Additional risk categories may be added to the Fund's Project-at-Risk Management System, for example in the context of respective requirements of a foreign partner contributing financially to the Fund.

The Fund shall systematically identify, monitor and mitigate risks related to the above categories as part of regular project cycle management procedures and templates. The Fund shall ensure that such work is carried out by qualified and experienced Fund staff (Operations Department with risk summaries/information regularly being reviewed by the Deputy Director, CEO and Board).

Systematic identification of risks and risk assessment shall be carried out as follows:

- Systematic risk assessments of both a technical and financial nature at the level of project preparation (PAF) and appraisal.
- Regular risk assessments of both a technical and financial nature at portfolio/spending programme level.
- In case of technically complex project proposals and/or projects aiming at introducing or testing new technologies, the Fund may procure independent engineering reviews.

- During project implementation, risk assessments tailored to the nature and complexity of the supported project shall be required from the contractor and verified by the Fund as part of contractually agreed project progress reporting.
- As part of project closure, an ex-ante risks assessment shall be reviewed and commented upon by the contractor as part of the contractor's final report. The Fund shall verify and systematically process this information with a view to supporting institutional learning for future risk assessment and risk mitigation.

Once risks have been identified for a specific project, mitigation strategies shall be elaborated, contractually agreed and implemented by the Fund in cooperation with the relevant contractual partners. In each case, such strategies shall be tailored to the actual nature and degree of risk and may include, among others (list not exhaustive):

- Hedging or taking out credit insurance.
- Third-party guarantees.
- Foreign exchange hedging, swaps
- Political risk insurance
- Modification of contractual arrangements

4.10. Project Cycle Management Software

The Fund shall source and utilize a software solution which allows for:

- The systematic collection of all project applications received from project proponents and tender documents issued by the Fund.
- The systematic collection of all main project cycle documents produced for each project submitted to the Fund, including at least: PIF; PIF appraisal; Fund decision on PIF; PAF; PAF appraisal; Review Committee recommendations; relevant List of Recommended Projects; Fund decision on PAF; award contract; project related procurement documents; project implementation progress reports; project implementation monitoring reports; invoices submitted by the project proponent; project implementation final report; project completion form; project evaluation report.
- Analyzing relevant project information, for example financial information, project impact indicators, etc., helping the Fund to report on its overall activities and impact in a given time period (e.g., provision of consolidated, numerical impact indicators for each priority spending area as part of the Fund's Annual Report).
- Integrating the Fund's Project-at-Risk Management and ESS System into the software.
- Archiving the above-mentioned information (note that records should be archived for as long as required by the donor financing a specific project, or, as required by applicable law).

The Fund shall implement appropriate provisions that:

- Project proponents are encouraged to supply - to the extent possible - documents entered into the software in digital form, using templates offered by the Fund.
- The software/information is continuously updated, i.e. all relevant project information is entered immediately after receipt and on a continuous basis.
- The information stored in the Fund's project cycle management software is backed up regularly (preferably daily, but at least once every week).
- The software and information backups are stored in a safe place that cannot be accessed by unauthorized persons.
- The software is regularly updated and improved, based on technological innovations and application experience gained.
- Fund staff is appropriately trained in using the software.

In addition, the Fund's ICT Policy shall apply.

4.11. Independent Redress Mechanism (IRM)

4.11.1 Terms of Reference of the Fund's Independent Redress Mechanism

i) Role and Functions

The Fund shall establish and operate an Independent Redress Mechanism (IRM) that will report to the Fund Board. The IRM will receive complaints related to the operation of the Fund and will evaluate and make recommendations regarding such complaints. The IRM is not intended to be a court of appeals or a legal mechanism.

The IRM is a mechanism within the Fund that will:

- Address the reconsideration of funding decisions made by the Fund Board; and
- Address the grievances and complaints by a person or a group of two or more persons or communities who have been or may be affected by adverse impacts through the failure of a project or programme funded by the Fund to comply with applicable Fund operational policies and procedures, including environmental and social safeguards.

In this context, the objectives of the IRM are to:

- Increase the effectiveness of the Fund's operations;
- Be responsive to the concerns of people adversely affected by projects and programmes funded by the Fund;
- Be fair and equitable to all stakeholders;
- Be as independent and transparent as possible;
- Be cost-effective and expeditious in the delivery of just redress;
- Be complementary to other supervision, audit, quality control and evaluation systems of the Fund.

ii) Governance and management structure

The IRM will have high professional and technical standards for its staff, consultants and operations and will be headed by a Head of IRM who shall be an expert with experience in running an accountability mechanism. The Head of the IRM should enjoy an impeccable reputation of honesty and integrity and be widely respected and regarded for his/her competence and expertise. The Head of the IRM will report to the Board and be accountable and responsible for the effective and efficient operation of the IRM.

The Board will be responsible for:

- Appointing the Head of the IRM, in an open and transparent manner to be decided by the Board;
- Overseeing the activities of the IRM;
- Considering and approving the annual work plan and budget of the IRM;
- Taking decisions and authorizing actions upon recommendation of the IRM, following the investigations; and
- Monitoring the implementation of (i) the agreements reached by problem-solving methods, and (ii) the decisions taken.

The Head of the IRM shall prepare and submit an annual work plan and budget of the IRM to the Board and consult with the Board on its implementation. Whenever the Head of the IRM recommends reconsideration of relevant policies, procedures, guidelines and systems of the Fund, he/she shall do so through the Fund Board. Additionally, the Head of the IRM may consult with the Board and seek its advice on other matters, as appropriate.

The tenure of the office of the Head of the IRM will be for three years, renewable once. To ensure independence of the office, the incumbent may not be removed from office during his/her term, except for (*malfeasance, mental incapacitation, sentence to imprisonment*). His/her terms and conditions of appointment will be decided by the Board. The Head of the IRM shall not be eligible for any type of employment by the Fund within (five) years after the date of the end of his/her appointment.

iii) Modalities for reconsideration of funding decisions

A request can be filed by a project proponent that has been denied funding for a specific project or programme by the Board, even though resources were available. Such a request will need to include a description of the project or programme that has been denied funding, and will need to substantiate the reasons why the project proponent believes that the denial was inconsistent with the policies, priorities and eligibility criteria of the Fund.

Having considered such a request, in accordance with the detailed guidelines and procedures referred to in section vi) below, the IRM will prepare a report for the Board's consideration, including, where appropriate, recommendations on possible remedial actions.

The Board may consider the request in view of the report and may take steps to implement the recommendation of the IRM.

iv) Modalities for redress for affected communities

A grievance or complaint can be filed by a person or group of two or more persons or communities who have been or may be affected by adverse impacts of a project or programme funded by the Fund. Such a grievance or complaint may be filed and pursued on such person's or persons' behalf by a representative duly authorized to act in such capacity, in accordance with the detailed guidelines and procedures. The complainant may request that his/her identity be kept confidential by the IRM. Other kinds of grievances or complaints, such as allegations of corruption or misprocurement, will be handled by other units of the Fund, such as the Independent Integrity Unit.

If the IRM receives information from a credible source that a project or programme funded by the Fund has adversely impacted or may impact a community or person or a group of two or more persons, and where such information, if true, would pose a significant reputational risk to the Fund, the IRM may initiate proceedings under this modality only if the person(s) adversely impacted is or are unable to access the IRM. For the purposes of these terms of reference, this information will be considered a "grievance or complaint".

When considering such a grievance or complaint, the IRM will follow the steps set out below:

- (a) Evaluate if the grievance or complaint meets the eligibility criteria set out in the introductory paragraphs of section iv) above;
- (b) If deemed eligible, address a grievance or complaint from those affected by the projects/programmes funded by the Fund;

- (c) Offer, and when appropriate, use problem-solving methods for addressing the grievance or complaint such as mediation to bring about a satisfactory resolution of the grievance or complaint;
- (d) Where such problem-solving efforts are not successful or appropriate, first determine, prima facie, if the project/programme-affected person has or persons or communities have encountered or may encounter adverse impacts through the failure of the project or programme funded by the Fund to comply with the Fund's operational policies and procedures, including environmental and social safeguards and, thereafter, conduct investigations and prepare a report for the Board's consideration, including, where appropriate, recommendations on possible remedial actions, taking into account the extent of the Fund's investment in a project or programme;
- (e) Monitor whether agreements resulting from problem-solving efforts and decisions taken by the Board following IRM recommendations have been implemented; and
- (f) Prepare and submit periodic monitoring reports to the Board, as and when required.

Recommendations of the IRM, following a compliance review, may include, but are not limited to:

- Recommending that steps be taken by the Fund, recipient of Fund support or project sponsor(s) to bring the project or programme into compliance with the policies and procedures of the Fund, including environmental and social safeguards;
- Recommending that a remedial plan be developed and implemented by the Fund Secretariat, in conjunction with the relevant recipient of Fund support and the IRM; and
- Recommending that financial redress be provided to the complainant(s).

The Board may consider the grievance or complaint in view of the report and may take steps to implement the recommendation of the IRM.

v) Lessons learned and public outreach

The IRM will report to the Board on lessons learned and insights gained from handling cases as defined under section i) above, and may recommend reconsideration of relevant policies, procedures, guidelines and systems of the Fund, including environmental and social safeguards.

The IRM will provide education and outreach to relevant stakeholders and the public.

vi) Guidelines and procedures

The detailed procedures for the reconsideration of funding decisions and other procedures governing the work of the IRM will be approved by the Board. The procedures to be followed will be iterative.

vii) Work plan, budget, staffing, consultants and reporting

To ensure the financial independence of the IRM, the Head of the IRM will propose a work plan, and budget for meeting the annual expenses and the Board will consider and approve this work plan and budget.

For administrative purposes only, the Head of the IRM will report to the Fund CEO, but for all substantive work, he/she will be responsible to the Board.

All staff and consultant appointments and terminations of service in the IRM will be the sole responsibility of the Head of the IRM and not of the Fund Secretariat. The policies and guidelines of the Fund, including the Fund's Code of Conduct, applicable to its staff and consultants shall also apply to the appointment and termination of the staff and consultants of the IRM.

The IRM will prepare an annual report on its work for presentation to the Board and dissemination to the public.

viii) Review of the Independent Redress Mechanism

An independent review of the IRM will be undertaken every five years, or at such other time decided by the Board, and may include a review of the terms of reference of the IRM and detailed guidelines and procedures.

4.11.2 Fund Procedures for the Reconsideration of Funding Decisions

i) Purpose and Scope

The purpose of these Procedures is to operationalize the terms of reference of the Fund's Independent Redress Mechanism (hereinafter referred to as the "IRM ToR"), accordingly, to establish procedures for dealing with requests for reconsideration of a funding decision pursuant to which the Board has denied funding to a specific project or programme (hereinafter referred to as "Requests").

These Procedures for dealing with Requests (hereinafter referred to as "Procedures") set out the sole entitlement that applicants have with respect to projects and programmes which have been denied funding by the Board, to the exclusion of any other right whatsoever.

These Interim Procedures shall apply until revoked by the Board.

ii) Procedures

Filing a Request: Within sixty (60) calendar days from the date on which the Secretariat informs the relevant project proponent of the relevant Board decision denying funding to a specific project or programme, the relevant project proponent (hereinafter: "the Applicant") may file a Request, in English, with the Head of the IRM.

Acknowledging receipt of the Request: The Head of the IRM shall, within fourteen (14) days of receipt of a Request, acknowledge receipt of the Request.

Eligibility of the Request: The Head of the IRM shall assess the eligibility of the Request by reference to section iv) of the IRM ToR. If the Request is ineligible, the Head of the IRM shall notify the Applicant, and take no further action with respect to such a Request.

Addressing the Request: If the Request is eligible, the Head of the IRM shall investigate the substance of the Request, and discuss it informally with the Applicant. If such an approach does not lead to a satisfactory and amicable resolution of the Request, then the Head of the IRM shall address the Request formally. In addressing the Request, the Head of the IRM shall consider, amongst others, any issues raised by the Applicant in the Request, the original funding proposal as submitted to the Board, including the assessments of the Secretariat and other relevant parties, the decision of

the Board and other relevant aspects of the Fund's operations. The Head of the IRM shall be entitled to request other relevant information from the Applicant as he or she, acting reasonably, deems necessary in order to address the Request and shall be entitled to stipulate an associated time frame within which the Applicant should provide such information or a reason as to why such information cannot be provided.

Determination of the Head of the IRM: Following such considerations, the Head of the IRM shall determine, consistent with the IRM ToR, whether the Fund was inconsistent with its policies, programme priorities and eligibility criteria when denying funding to a specific project or programme.

Report to the Board: Promptly after (i) a determination by the Head of the IRM that a Request is ineligible, (ii) a satisfactory and amicable resolution of a Request, or (iii) the determination referred to in the previous paragraph above, the Head of the IRM shall prepare a report for the Board setting out a summary of the relevant Request, whether it was deemed eligible (and if not, why not), the steps taken to resolve the Request in a satisfactory and amicable manner and, if applicable, the determination of the Head of the IRM as to whether the Fund was inconsistent with its policies, programme priorities and eligibility criteria when denying funding to a specific project or programme. Such a report shall also contain the recommendation of the Head of the IRM on possible further remedial actions. In accordance with the Fund's Information Disclosure Policy, such a report shall be made publicly available on the Fund website upon submission of the report to the Board, unless one of the exceptions set out in the Information Disclosure Policy apply with respect to the disclosure of such a report.

Consideration by the Board: The Board may, at its next meeting following receipt of the report, consider the Request in view of the report and the recommendation of the Head of the IRM, and may take such steps as it considers appropriate. The outcome of the Board's considerations shall be proactively communicated to the Applicant and shall be included in the report of the relevant Board meeting.

Time frame: The Head of the IRM shall aim to conclude the steps as set out above within sixty (60) days of the date on which the acknowledgement of receipt was sent to the Applicant. If the Head of the IRM considers that additional time is required in order to complete such steps, he or she shall notify the Applicant of the additional time that he or she considers is required.

iii) Implementation of the Interim Procedures

The Head of the IRM shall operationalize the above-mentioned procedures in a manner that is reasonably consistent with international best practice (e.g., those of the Green Climate Fund) and may, for this purpose, issue guidelines with respect to each of the steps set out above.

The Head of the IRM shall promptly notify the Board, via the Board Chairperson, each time a Request has been received, and shall keep the Board, via the Board Chairperson, regularly updated on how such a Request is being addressed and the determinations made in connection with it.

iv) Costs

The Head of the IRM shall submit a budget request to the Board no later than (4 weeks prior to the last Board meeting in a business year of the Fund) for the costs associated with the implementation of these Interim Procedures.

Subject to the following paragraph below, all expenses associated with preparing, drafting and filing requests for reconsideration, including the provision of any further information that may be required by the Head of the IRM and/or the Board, shall be borne by the Applicant.

To the extent that any request by the Head of IRM for further information pursuant to section 2 above requires the Applicant to incur third-party costs or expenses, such costs and expenses shall be borne by the Fund.

v) Review and amendment of these Procedures

The Board may amend and/or revoke these Procedures at any time. Amendments to the Procedures shall only apply to Requests filed after the date of entry into force of such an amendment. Termination or revocation of these Procedures shall not affect Requests which remain under consideration as at the date of such a termination or revocation.

5. Environmental and Social Management and Safeguards System

The Fund shall implement an Environmental and Social Management and Safeguards System (ESMS System) fully integrated into the Fund's project cycle management (PCM) system and, as part of the PCM system, aligned and integrated with the Fund's project-at-risk management system.

The ESMS System shall serve to identify and if necessary address environmental and/or social impacts of projects and programmes funded by the Fund and shall be applied to all projects and programmes to be funded by the Fund. The ESMS shall ensure that project and programmes funded by the Fund will not cause significant adverse environmental and social impacts, and that any adverse environmental and social impacts generated from the implementation of projects and programmes will be mitigated to acceptable levels.

5.1. Performance Standards

The ESMS System consists of eight performance standards with the first standard applying to all funding proposals received and processed by the Fund. Performance Standards 2 - 8 establish objectives and requirements to avoid and minimize impacts and, where residual impacts remain, compensate/offset the risks and impacts to workers, affected communities and the environment. Where environmental or social risks and impacts are identified, and expected, the Fund and project proponent shall be required to manage them in line with the Fund's ESMS System.

Performance Standard 1 consists of principles, strategies and procedures applied by the Fund to implement the ESMS as further detailed in section 5.2 below.

Performance Standards 2-8 shall include the following environmental and social safeguards:

Performance Standard 2: Labour and working conditions

- a) Fair treatment, non-discrimination, equal opportunity;
- b) Good worker–management relationship;
- c) Comply with national employment and labor laws;
- d) Protect workers, in particular those in vulnerable categories;
- e) Promote safety and health, including disaster and related contingency planning;
- f) No use of forced labor or child labor.

Performance Standard 3: Resource efficiency and pollution prevention

- a) Avoid, minimize or reduce project-related pollution;
- b) Promote more sustainable use of resources, including energy and water;
- c) Reduce project-related greenhouse gas emissions.

Performance Standard 4: Community health, safety and security

- a) Anticipate and avoid adverse impacts on the health and safety of the affected community;
- b) Safeguard personnel and property in accordance with relevant human rights principles.

Performance Standard 5: Land acquisition and involuntary resettlement

- a) Avoid/minimize adverse social and economic impacts from land acquisition or restrictions on land use:
 - Avoid/minimize displacement;
 - Provide alternative project designs;
 - Avoid forced eviction.
- b) Improve or restore livelihoods and standards of living;
- c) Ensure adequate living conditions among displaced persons by providing:
 - Adequate housing;
 - Security of tenure.

Performance Standard 6: Biodiversity conservation and sustainable management of living natural resources

- a) Protection and conservation of biodiversity;
- b) Maintenance of benefits from ecosystem services;
- c) Promotion of sustainable management of living natural resources;
- d) Integration of conservation needs and development priorities.

Performance Standard 7: Indigenous peoples

- a) Ensure full respect for indigenous peoples
 - Human rights, dignity, aspirations;
 - Livelihoods;
 - Culture, knowledge, practices;
- b) Avoid/minimize adverse impacts;
- c) Sustainable and culturally appropriate development benefits and opportunities;
- d) Free, prior and informed consent in certain circumstances.

Performance Standard 8: Cultural heritage

- a) Protection and preservation of cultural heritage;
- b) Promotion of equitable sharing of cultural heritage benefits.

5.2. Principles, Strategies and Procedures (Performance Standard 1)

5.2.1. Principles and Strategies

Environment and Social Safeguard principles emphasizes a “do no harm” outcome for affected communities, the environment, and fiduciary aspects, and therefore it will focus on and seek to avoid, minimize, or mitigate adverse environmental and social impacts, including protecting the rights of those likely to be affected or marginalized by the development process. The key principles of the ESS are to:

- Identify and evaluate environmental and social risks and impacts of the project;
- Adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize, and, where residual impacts remain, compensate/offset for risks and impacts to workers, Affected Communities¹, and the environment;
- Promote improved environmental and social performance of clients² through the effective use of management systems;
- Ensure that grievances from Affected Communities and external communications from other stakeholders are responded to and managed appropriately; and
- Promote and provide means for adequate engagement with Affected Communities throughout the project cycle on issues that could potentially affect them and to ensure that relevant environmental and social information is disclosed and disseminated.

The Goal

The goal of the Environmental and Social Safeguard (ESS) System is to promote the environmental and social sustainability of Fund supported projects by protecting the overall ecosystem including people and their environment from potential adverse impacts of a Fund supported project and enhancing the benefits provided.

The goal of the policy is that Fund supported projects will create environmentally sustainable and socially inclusive growth and poverty reduction. The assessment and management of environmental and social risks and impacts are part of the larger overall set of project cycle management (PCM) processes that a project proponent is obliged to use and adhere to. The ESS System is essential for a successful and sustainable performance of these projects. The ESS system covers the safeguard areas included in section 5.1 (Performance Standards 2-8).

The Objectives

The objectives of ESS policy are, whenever possible, to avert or prevent adverse impacts of project interventions on the environment and affected people. When this is not possible, efforts will be made to minimize, mitigate, and/or compensate the adverse impacts on the environment and affected people. Apart from preventing environmental and social impacts, the Fund will help clients

¹ The term “Affected Communities” includes the client (see following footnote), its workers and local communities directly affected by the project. There may be other stakeholders in the context of Fund supported projects. “Other stakeholders” are defined as those not directly affected by the project but that have an interest in it. These could include national and local authorities, neighboring projects, and/or nongovernmental organizations.

² The term “client” is used throughout this section broadly to refer to the party responsible for implementing and operating the project that is being financed by the Fund, or the recipient of the financing, depending on the project structure and type of financing.

to develop their capacity in managing safeguard systems, and manage environmental and social risks related to project implementation.

Scope and Application

The Fund requires that all proposed projects that are likely to have environmental and social impacts are screened and an appropriate environmental and social impact assessment (ESIA) carried out, suitable to the magnitude and impact significance of the proposed activity. The ESIA will help to ensure that environmental and social impacts are properly identified, assessed, and mitigated so that decision makers can take appropriate decisions on the concerned project and ensure that a project is environmentally sound and sustainable, thereby supporting improved decision making. The term “project” refers to a defined set of activities, including those where specific physical elements, aspects, and facilities likely to generate risks and impacts have yet to be identified. Where applicable, this could include aspects from the early developmental stages through the entire life cycle of the project (design, construction, commissioning, operation, decommissioning, closure or, where applicable, post-closure of a physical asset).

The ESS system applies to all Fund supported projects as well as project components that are associated with Fund supported projects, regardless of whether these components are financed by the Fund or other co-financiers.

The Fund will not finance projects that do not comply with the requirements of the Fund’s ESMS.

The ESS System will recognize the roles and responsibilities of the Government of Virgin Islands (GoVI). The ESS system also requires that Fund supported projects will comply with Virgin Islands laws and regulations related to environmental and social protection (related to the Performance Standards 2-8), as well as relevant international laws and conventions to which Virgin Islands is a signatory. Hence the Fund has an obligation to comply with relevant international laws and conventions. These shall be kept updated and made available on the Fund’s website.

Requirements

The ESS approach will include processes of planning, impact assessment, mitigation, and impact management to address unexpected effects of projects throughout the project cycle.

The ESS System requires:

1. Identification and assessment of impacts at early phases in the project cycle;
2. Developing and implementing plans to avoid, minimize, mitigate, or compensate for the potential adverse impacts, including designing mitigation measures and monitoring plans;
3. Informing and consulting affected people during project preparation and implementation.

Under the ESS system, the project proponent, if required by and in coordination with the Fund and responsible government agencies, will conduct an ESIA, and establish and maintain an ESS system appropriate with the level of its environmental and social risks and impacts. The ESS system will incorporate the following elements:

1. Relevant policy and regulation;
2. Presentation of baseline condition,

3. Identification of risks and impacts;
4. Impact mitigation, management, and monitoring programmes;
5. Institutional capacity;
6. Establishing grievance redress mechanism,
7. Emergency preparedness and response;
8. Public consultation and stakeholder engagement; and
9. Review.

Stakeholder engagement is an important component of the ESS system. The purpose of stakeholder engagement is to establish and maintain a constructive relationship with a variety of stakeholders which covers project preparation, implementation and completion. Stakeholder consultation processes will gather the views, interests and concerns of different stakeholders, particularly of the local communities directly affected by the project, and take these views, interests and concerns into account in project decisions and in the creation and implementation of project benefits.

The level of detail and complexity of the ESS system and the resources devoted to it will depend on the level of impacts and risks of the project to be financed, and the size and nature of the project proponent's organization.

Process

The process of ESS will involve a series of activities, as follows:

1. Screening and scoping of the main issues. This activity starts as soon as potential projects for financing are identified, and this activity will continue throughout the project cycle;
2. Assessment of impacts including planning for mitigation measures, monitoring programme, and institutional arrangements, and incorporating ESS outcome into project design and implementation;
3. Consultation with affected people undertaken during project preparation and implementation; disclosure is undertaken in a form, manner, and language accessible to the affected people; and
4. Disclosure of safeguard plans to the public.

Roles and Responsibilities

The project proponent (and if the Fund decides to support a project proposal: the client) will have the responsibility to implement the ESS requirements. Project proponents and clients are required to undertake ESIs, carry out consultations with affected people and communities, prepare and implement safeguard plans, monitor the implementation of these plans, and prepare and submit monitoring reports. The Fund will assist and guide project proponents and clients in meeting these requirements during project preparation, implementation and completion, ensure due diligence and review, and provide monitoring and supervision. Monitoring and supervision of safeguard compliance will continue during project implementation, hence compliance with the safeguard policies is monitored throughout the project cycle. If a project poses risks of non-compliance, actions to ensure compliance will be taken by the Fund.

Accountability Mechanism

In cases where a Fund supported project will cause undesirable impacts on people, the adversely affected people can express their grievances, seek solutions, and report alleged violations of Fund operational policies and procedures, including ESMS. The accountability mechanism comprises two steps, as follows:

1. Consultation led by special project facilitator organized by the Fund to assist people adversely affected by the project to find solutions to their problems; and
2. Assist people affected by projects in filing requests for compliance review.

ESS Categorization of Projects

Environmental and social impacts of projects vary depending on the project size/scale and intensity of the impact generated by the project, and therefore projects will be classified according to the predicted environmental and social impacts and their significance.³ Proposed projects (projects in the pipeline) will be screened for their environmental and social implications considering the type of project, location, design, sensitivity, risk, scale, nature, magnitude of potential impacts, availability of mitigation measures, compensation of adverse impacts, enhancement of positive impacts and availability of alternative project designs; and, classified according to their anticipated environmental and social impacts. Impact mitigation may be straightforward where technology is readily available. In other cases, impact mitigation may require in-depth study. The ESS considerations will be undertaken during different stages of the project cycle, covering project concept, project preparation, project appraisal, contracting, project implementation, and project closure/evaluation.

A proposed project will be classified into one of three categories in conformity with the categorization used by major international organizations including multilateral development banks, such as the World Bank group. The ESS classification consists of three categories, i.e.:

Category A: Projects with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented. These impacts may affect areas larger than the project site, and the mitigation of impacts will require in-depth study to ensure adequate mitigation strategies. A full scale or limited/focused ESIA study will be mandatory for all category A projects. The assessment will cover direct as well as indirect impacts, adverse as well as positive impacts, and development of mitigation measures to prevent, minimize, mitigate, or compensate for adverse impacts. An ESS management, monitoring and mitigation plan to address the impacts will have to be prepared as part of the ESIA study.

Category B: Projects with potential limited adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and the impacts can be addressed through readily available mitigation measures. Category B projects will require a full scale or limited/focused ESIA in some cases only, i.e. if called for by the Fund

Category C: *Projects with minimal or no adverse environmental and/or social risks and/or impacts.* No ESIA study will be required for category C projects.

Minimum Requirements forESIAs

³ Classification is an ongoing process, and the category can be changed at any time as more detailed information becomes available and project processing proceeds.

Full scale or limited/focused Environmental and Social Impact Assessments (ESIA) are required by the Fund if:

- The Fund determines during project appraisal procedures that a project proposal is categorized as category A;
- The Fund determines during project appraisal procedures that a project proposal is categorized as category B and if significant ESS risks have been identified by the Fund during project appraisal.

In case the Fund requires the elaboration of an ESIA, the project proponent will be responsible for organizing the completion of an ESIA, using independent experts approved by the Fund, at the project proponent's cost and in accordance with Fund requirements. The project proponent will also be responsible for implementing the recommendations of the ESIA and for undertaking monitoring of the likely environmental and social impacts. The Fund will review the ESIA to ensure that it meets all Fund requirements. Project activities may not start before the ESIA is approved by the Fund, and if required, by the responsible government agency. The Fund will also monitor the implementation of agreed mitigation measures and monitoring plans by the project proponent/client, and provide information in line with the Fund's disclosure requirements (see below).

Full scale Environmental and Social Impact Assessments

The key process elements of an ESIA consist of (i) initial screening of the project and scoping of the assessment process; (ii) examination of alternatives; (iii) stakeholder identification and consultation (focusing on those directly affected) and gathering of environmental and social baseline data; (iv) impact identification, prediction, and analysis; (v) generation of mitigation or management measures and actions; (vi) significance of impacts and evaluation of residual impacts; (vii) preparation of grievance redress mechanism, (viii) preparation of an environmental management, monitoring and mitigation plan and (ix) documentation of the assessment process (i.e., ESIA report). The breadth, depth and type of analysis should be proportionate to the nature and scale of the proposed project's potential impacts as identified during the course of the assessment process. The ESIA must conform to the requirements of domestic environmental assessment laws and regulations and other applicable legislation, including the relevant disclosure of information and public consultation requirements, and will be developed following principles of good international practices as applied by the Green Climate Fund.

The ESIA process will predict and assess the project's potential adverse impacts and risks, in quantitative terms to the extent possible. It evaluates environmental and social risks and impacts from associated facilities and other third party activities. The ESIA identifies and defines a set of environmental and social mitigation and management measures to be taken during the implementation of the project to avoid, minimize, or compensate/offset for risks and adverse environmental and social impacts, in the order of priority, and their timelines; it also identifies any residual negative impacts that cannot be mitigated. The desired outcomes of the mitigation and management measures should be set as measurable events to the extent possible, such as performance indicators, targets or acceptance criteria that can be tracked over defined time periods. The process indicates the responsibilities required for implementation of the mitigation and management programme. The ESIA also identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention. For those projects with potential significant adverse impacts predominantly in the social area (e.g., involuntary resettlement), the impacts and risks identification

process should largely focus on generating appropriate social baseline data, impacts analysis, and mitigation measures (e.g., Resettlement Action Plan).

For greenfield developments, the ESIA includes an examination of technically and financially feasible alternatives to the source of such impacts, and documentation of the rationale for selecting the particular course of action proposed. The purpose of the alternatives analysis is to improve decisions on project design, construction, and operation based on feasible alternatives to the proposed project. This analysis may facilitate the consideration of environmental and social criteria at the early stages of development and decision-making based on the differences between real choices. The alternatives analysis should be conducted as early as possible in the process and examine feasible alternatives; alternative project locations, designs, or operational processes; or alternative ways of dealing with environmental and social impacts.

The client should ensure that appropriate programmes are implemented to verify that the terms and conditions for approvals from relevant government authorities are met and to conduct monitoring activities to measure and evaluate the effectiveness of mitigation measures.

Limited or Focused Environmental and Social Impact Assessments

The projects to be financed may consist of specific activities with potential limited adverse environmental and social risks and/or impacts, for which the development of a full-scale ESIA is not required by the Fund. For these projects, the clients should conduct limited or focused environmental and social assessments that are narrower in scope than a full-scale ESIA, and that are specific to potential environmental and social (including labour, health, safety, and security) risks and/or impacts identified as associated with the project.

The scope of the limited or focused analyses and assessments needed will be defined by the Fund during project appraisal. During a limited/focused ESIA process, the client should review in a systematic and documented manner the potential environmental and social risks and impacts of the project to be financed, and determine the need to (i) eliminate or minimize (mitigate) the identified risks and impacts; (ii) modify the project plan; or (iii) conduct further focused assessment. Examples of focused assessments include air pollutant emissions and air quality impact studies, noise and vibration studies, water resources impact studies, contamination investigations and assessments, traffic studies along transport corridors, social baselines, resettlement evaluations and labour audits.

Stakeholder Engagement

Stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of a project's environmental and social impacts. Stakeholder engagement may involve the following elements: stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, and ongoing reporting to Affected Communities. The nature, frequency, and level of effort of stakeholder engagement may vary considerably and will be commensurate with the project's risks and adverse impacts, and the project's phase of development.

Stakeholder Engagement Plan

As part of an ESIA, the client will develop and implement a Stakeholder Engagement Plan that is scaled to the project risks and impacts and development stage, and be tailored to the characteristics and interests of the Affected Communities. Where applicable, the Stakeholder Engagement Plan will

include differentiated measures to allow the effective participation of those identified as disadvantaged or vulnerable.

Disclosure

Disclosure of relevant project information helps Affected Communities and other stakeholders understand the risks, impacts and opportunities of the project. In cases of projects that required an ESIA, the client will provide Affected Communities with access to relevant information on: (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism.

Consultation

When Affected Communities are subject to identified risks and adverse impacts from a project, the client will undertake a process of consultation in a manner that provides the Affected Communities with opportunities to express their views on project risks, impacts and mitigation measures, and allows the client to consider and respond to them. The extent and degree of engagement required by the consultation process should be commensurate with the project's risks and adverse impacts and with the concerns raised by the Affected Communities. Effective consultation is a two-way process that should: (i) begin early in the process of identification of environmental and social risks and impacts and continue on an ongoing basis as risks and impacts arise; (ii) be based on the prior disclosure and dissemination of relevant, transparent, objective, meaningful and easily accessible information which is in a culturally appropriate local language(s) and format and is understandable to Affected Communities; (iii) focus inclusive engagement on those directly affected as opposed to those not directly affected; (iv) be free of external manipulation, interference, coercion, or intimidation; (v) enable meaningful participation, where applicable; and (vi) be documented. The client will tailor its consultation process to the language preferences of the Affected Communities, their decision-making process, and the needs of disadvantaged or vulnerable groups. If clients have already engaged in such a process, they will provide adequate documented evidence of such engagement.

Indigenous Peoples

For projects with adverse impacts to Indigenous Peoples, the client is required to engage them in a consultation process and if requested by the Fund, the client is also required to obtain their Free, Prior, and Informed Consent (FPIC). The requirements related to Indigenous Peoples and the definition of the special circumstances requiring FPIC are described in Performance Standard 7.

External Communications

In cases where projects require an ESIA, clients will implement and maintain a procedure for external communications that includes appropriate methods to (i) receive and register external communications from the public; (ii) screen and assess the issues raised and determine how to address them; (iii) provide, track, and document responses, if any; and (iv) adjust the management programme, as appropriate. In addition, clients are encouraged to make publicly available periodic reports on their environmental and social sustainability.

Grievance Mechanism for Affected Communities

In cases where projects require an ESIA, and where there are Affected Communities, the client will establish a grievance mechanism to receive and facilitate resolution of Affected Communities' concerns and grievances about the client's environmental and social performance. The grievance mechanism should be scaled to the risks and adverse impacts of the project and have Affected Communities as its primary user. It should seek to resolve concerns promptly, using an understandable and transparent consultative process that is culturally appropriate and readily accessible, and at no cost and without retribution to the party that originated the issue or concern. The mechanism should not impede access to judicial or administrative remedies. The client will inform the Affected Communities about the mechanism in the course of the stakeholder engagement process.

Ongoing Reporting to Affected Communities

In cases where projects require an ESIA, the Fund Board approved the project and project implementation started, the client will provide periodic reports to the Affected Communities that describe progress with implementation of the project Action Plans on issues that involve ongoing risk to or impacts on Affected Communities and on issues that the consultation process or grievance mechanism have identified as a concern to those Communities. If the management programme results in material changes in or additions to the mitigation measures or actions described in the Action Plans on issues of concern to the Affected Communities, the updated relevant mitigation measures or actions will be communicated to them. The frequency of these reports will be proportionate to the concerns of Affected Communities, but will be published at least annually.

Good International Practice

In cases where projects require an ESIA and when issues arise which are not conclusively covered by the Fund's ESMS, the Fund will apply good international practice as defined by the Green Climate Fund (GCF), or, as long as GCF has not published such information:

- The International Finance Corporation's Performance Standards on Environmental and Social Sustainability, version January 01, 2012, available at the IFC website, ifc.org or such update standards as may be applicable
- The International Finance Corporation's Guidance Notes: Performance Standards on Environmental and Social Sustainability, version January 01, 2012, available at the IFC website, ifc.org or such update standards as may be applicable

5.2.2. Guidance Notes

This section includes Guidance Notes corresponding to the ESS Performance Standards. These Guidance Notes explain the requirements in the Performance Standards and offer guidance on applying the Performance Standards requirements.

The Fund shall update the Guidance Notes periodically to reflect lessons of experience with the implementation of the Performance Standards, as well as international good practices. The Fund shall also update referenced materials periodically.

Initially, Fund-specific Guidance Notes shall apply for the three areas of greatest relevance to the business of the Fund, namely:

- Environmental safeguards,

- Involuntary resettlement safeguards, and
- Indigenous Peoples safeguards.

For the time being, the environmental safeguards included below also cover performance standards on labour and working conditions (Performance Standard 2), resource efficiency and pollution prevention (Performance Standard 3), community health, safety and security (Performance Standard 4), biodiversity conservation and sustainable management of living natural resources (Performance Standard 6), and cultural heritage (Performance Standard 8). Over time, and in line with developments in international good practices, including the Green Climate Fund, the Fund shall revise and further detail the Guidance Notes presented below.

Environmental Safeguards

The objective of environment safeguards is to ensure that projects are environmentally sustainable, provide socially inclusive growth and poverty reduction; and ensure the environmental soundness and sustainability of projects. They also aim to prevent adverse impacts on the environment and affected people; or at least, to minimize, mitigate, and/or compensate the adverse impacts on the environment and affected people.

The scope of environmental safeguards covers project interventions that may cause bio-physical and social impacts on the environment. Hence, the impacts and risks assessment covers the physical, biological, social, and cultural environment.

Procedures:

- i. Undertake screening of proposed projects to determine the appropriate type of environmental assessment that will be needed, and determine the appropriate studies that would be needed in accordance with the significance of potential impacts and risks.
- ii. Analyze project alternatives for all category A projects to determine the best method of achieving project objectives while minimizing environmental and social impacts. This includes the alternative of with and without the proposed project; alternative locations, designs, technologies, and components; and their potential environmental and social impacts and the reason for selecting the particular alternative proposed. This analysis will bring environmental and social considerations into early decision making, and provide an opportunity to avoid and, if avoidance is not possible, minimize adverse environmental impacts and risks.
- iii. Conduct an environmental assessment of the proposed project considering the applicable domestic laws and regulations and Fund requirements as set out in this Operational Manual. The environmental assessment will identify potential impacts, including direct, indirect, cumulative, and induced impacts; both adverse and beneficial effects; and assess project risks to physical, biological, socioeconomic including impacts on livelihood; and physical cultural resources in the project area of influence. Impact analysis should consider the affected features, including physical, biological, socioeconomic, and physical cultural resources. Impact analysis should also consider the project's area of influence, including the

primary project site and ancillary facility sites, associated facilities,⁴ areas and communities potentially affected by cumulative impacts⁵ and induced impacts.⁶

- iv. In conducting an environmental assessment, the following approach should be applied: avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts through properly designed environmental planning and management. Prepare an environmental management plan (EMP) covering mitigation measures, environmental monitoring and reporting requirements, institutional or organizational arrangements for the EMP, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Environmental mitigation measures will be considered and proposed that allow for a mitigation level of “no significant harm to third parties”. Mitigation measures will also comply with the polluter pays principle.
- v. Stakeholder consultation should be undertaken with affected people and facilitate their informed participation. Gender issues should be considered, including assurance of women’s participation in consultation. The consultation will involve all stakeholders, including affected people, civil societies, and concerned non-government organizations, early in the project preparation process, and ensure that their views and concerns are taken into account. Stakeholder consultations will continue throughout project implementation. Establish a grievance redress mechanism to facilitate resolution of concerns and grievances regarding the project’s environmental performance.
- vi. Disclose relevant information about the proposed project and its potential impacts so that stakeholders will understand the impacts, risks and opportunities of the project. Disclose the draft environmental assessment and the final environmental assessment to affected people and other stakeholders in an easily accessible place. This process should commence early in the project cycle and continue throughout the life of the project.
- vii. Monitor the effectiveness of EMP implementation against desired outcomes related to measures to address the identified impacts and risks and to meet applicable requirements. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.
- viii. Apply careful measures if a project is located within a critical habitat with conservation value, whether this is a pristine undisturbed natural habitat or modified habitat that still supports valuable biodiversity, including endemic or threatened species; and whether it is legally protected or unprotected. Assurance shall be made that (i) projects will not significantly convert or degrade a natural habitat unless there are no technically and financially feasible alternatives; (ii) any conversion or degradation is appropriately reduced or mitigated; (iii) there are no measurable adverse impacts on the critical habitat that could impair its ability to function, and (iv) there is no reduction in the population of any recognized endangered or critically endangered species. Projects should seek to avoid significant conversion or degradation of a natural habitat, primarily through project or facility location. However, if this is unavoidable and alternatives are not available, projects shall ensure that any conversion or degradation is appropriately mitigated; and implement additional measures to promote and enhance the conservation of the protected area.

⁴ Facilities that not funded by the project but whose existence and viability are entirely dependent upon the project and whose services are essential to project operation.

⁵ The combination of multiple impacts from existing, the proposed, and anticipated future projects may result in significant cumulative impacts

⁶ Unplanned but predictable developments or activities caused by the project, which may occur later or at a different location.

- ix. Apply pollution prevention and control technologies and practices if a project will potentially generate pollution of the environment. Use international best practices as reflected in internationally recognized standards such as the GCF's, IFC's or World Bank Group's guidelines, i.e.: Environmental, Health and Safety Guidelines which covers environmental, occupational health and safety, community health and safety, and construction and decommissioning; and (ii) industry sector Environmental, Health, and Safety Guidelines. Adopt cleaner production processes and good energy efficiency practices, which encompass pollution prevention and abatement, resource conservation, energy efficiency, waste management and greenhouse gas emissions reduction. Avoid, or where avoidance is impossible, minimize or control the intensity or load of pollutant emission and discharge, including direct and indirect greenhouse gases emissions, waste generation, and release of hazardous materials from their production, transportation, handling, and storage; and when the project has the potential to create a significant source of emissions in an already degraded area, introduce strategies to help improve ambient conditions.
- x. The preferred order of waste management practices, from most to least preferred, is: avoid, reduce, reuse, recycle, recover, treat, dispose. Therefore, avoid, or where avoidance is not possible, reduce, through control, the generation of wastes from project activities. Where waste cannot be recovered or reused or recycled, it should be treated, destroyed, and disposed of in an environmentally sound manner. If the generated waste is considered hazardous, the client should explore reasonable alternatives for its environmentally sound disposal.
- xi. Undertake an analysis of the project's potential impacts and risks on occupational and community health and safety, and develop preventive and protective measures. The assessment should consider all stages of the project cycle (design, construction, operation, and decommissioning). Provide workers with safe and healthy working conditions and prevent accidents, injuries, and disease. Establish preventive and emergency preparedness and response measures in order to avoid, and where avoidance is not possible, to minimize adverse impacts and risks to the health and safety of local communities.
- xii. Conserve cultural heritage from adverse project impacts and support its preservation. When a likely impact is identified, employ qualified and experienced experts during environmental assessment to undertake field surveys and related research and consultation to assess the potential impact on the resources. Consultation shall be conducted with relevant national and local concerned agencies and affected communities who use or have used these resources. Identify and apply appropriate measures to mitigate these impacts.

Involuntary Resettlement Safeguards

The objective of involuntary resettlement safeguards is primarily to avoid involuntary resettlement wherever possible; if not possible, to minimize it by exploring project alternatives and design options; to enhance, or at least restore, the livelihoods of displaced persons relative to pre-project levels; and to improve the standards of living of the displaced poor and other vulnerable groups.

The scope of involuntary resettlement safeguards covers physical and non-physical displacement due to involuntary restrictions (full or partial, permanent or temporary). Physical displacement includes relocation, loss of residential land, or loss of shelter. Non-physical displacement includes economic displacement, including loss of land, assets, access to assets, income sources, or means of livelihoods. Involuntary resettlement safeguards will be undertaken as a result of involuntary acquisition of land, or involuntary restrictions on land use.

Procedures:

- i. Undertake screening of a proposed project to identify past, present, and future involuntary resettlement impacts and risks. Determine the scope of resettlement planning through a survey and/or census of displaced persons, including a gender analysis.
- ii. Collect baseline data to understand the existing socioeconomic profiles (demographic information, social organization, occupational structure, income level and assets, and access to public services) and assess the social impacts of a proposed project due to involuntary resettlement through meaningful consultations with all concerned people, including affected persons, host communities, and concerned nongovernment organizations. Inform all affected persons on the need for land acquisition, and their entitlements and resettlement options, under domestic compulsory purchase legislation. Encourage and ensure stakeholder participation in planning, implementation, and monitoring and evaluation of resettlement programmes. Particular attention should be given to vulnerable groups, especially those below the poverty line, the landless, the elderly, women and children, and indigenous peoples, and those without legal title to land, and to ensure their participation in consultations.
- iii. Establish a grievance redress mechanism involving all concerned parties, including the project implementing/executing agency, local government, and non-government organizations, to receive and record complaints from affected persons and facilitate resolution of the concerns.
- iv. Formulate a plan to restore and improve the livelihoods including the quality of life of all displaced persons through land-based and non-land-based compensation (note: compensation will be the responsibility of the acquiring authority, not the Fund). The plan will include land-based resettlement strategies when affected livelihoods are land based where possible, or cash compensation at replacement value for land when the loss of land does not undermine livelihoods.⁷ Besides, compensation shall also include prompt replacement of assets with access to assets of equal or higher value, and prompt compensation at full replacement cost for assets that cannot be restored, and (d) additional revenues and services through benefit sharing schemes where possible.
- v. Provide assistance required by physically and economically displaced persons with relocation, secured tenure to relocation land, better housing with accessibility to employment and production opportunities, transitional integration of resettled persons economically and socially into their host communities, and extension of project benefits to host communities. The assistance will also include transitional support and development assistance, including support for transportation of people, belongings, livestock, equipment, and other movable property to the new settlement site, land development, credit facilities, training, or employment opportunities. Resettlement assistance is broader in scope and may include subsistence allowances of daily subsistence and fuel that may be needed until new production systems are in place.
- vi. In line with requirements of applicable domestic legislation, undertake long-term income restoration strategies covering both land-based and non-land economic activities that will lead to an improvement in the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards. In conjunction with relevant Government agencies, provide displaced people with legal and affordable access to land and resources, and in urban areas provide them with appropriate income sources and legal and affordable access to adequate housing.

⁷ The land-based resettlement strategy means land-for-land replacement of lost assets and livelihoods

- vii. Develop procedures in a transparent, consistent, and equitable manner to ensure that land acquisition will be through negotiated settlement and ensure that the affected people could maintain the same or better income and livelihood status. The compensation of land and other assets should be “adequate” and “fair price”. The client will also ensure that the negotiating process will not adversely affect the marginality and vulnerability of any affected persons.
- viii. In line with requirements of applicable domestic legislation, ensure that protection of displaced persons from forced evictions at resettlement sites will include both persons with titled as well as non-titled displaced persons (without titles to land or any recognizable legal rights to land); hence security of tenures applies to both, and they are eligible to receive compensation and assistance.
- ix. In line with requirements of applicable domestic legislation: For a project with involuntary resettlement impacts, prepare a resettlement action plan (RAP) with time-bound actions and appropriate budget for displaced persons’ entitlements. The RAP should have a clear definition of the project affected persons (PAPs) by socio-economic category; the cut-off dates for eligibility for compensation; the assets to be compensated, and the development projects proposed. Conceive and execute involuntary resettlement as part of a development project or programme, whereas for a project with significant involuntary resettlement impacts, the involuntary resettlement component of the project can be considered as a stand-alone operation. National laws and legislation shall be properly recognized and considered during the preparation of the RAP.
- x. The objective of the resettlement action plan is to provide an agreed plan for the resettlement and compensation of project affected persons (PAPs) affected by the proposed project. The RAP presents an inventory of people likely to be affected by the project, and the proposed compensation and resettlement packages. The plan provides a road map for resolving displacement, resettlement and compensation issues. The resettlement action plan will ensure that the livelihoods of all displaced persons are improved or at least restored to the pre-project levels and the standards of living of the displaced poor and other vulnerable groups are improved.
- xi. Disclose the draft resettlement plan to key stakeholders in an easily accessible place and facilitate vulnerable PAPs to access the document and work closely with the grievance redress committee to ensure that all PAP complaints are handled properly and in a timely manner. Disclose the final resettlement plan and its updates to affected persons and other stakeholders.
- xii. Assess resettlement outcomes and their impacts, and set up a mechanism for monitoring the performance of involuntary resettlement programmes of the concerned project and corrective measures as they arise so as to safeguard against poorly implemented resettlement plans. Assess whether the objectives of the resettlement plan have been achieved. Disclose monitoring reports to interested parties.

Indigenous People Safeguards

The objective of Indigenous People safeguards is to design and implement projects in a way that fosters full respect for Indigenous Peoples’ identity, dignity, human rights, livelihood systems, and cultural uniqueness as defined by the Indigenous Peoples themselves so that they (i) receive

culturally appropriate social and economic benefits, (ii) do not suffer adverse impacts as a result of projects, and (iii) can participate actively in projects that affect them.⁸

The scope of Indigenous People safeguards include the social impact of a project that directly or indirectly affects the dignity, human rights, livelihood systems, or culture of Indigenous Peoples or affects the territories or natural or cultural resources that Indigenous Peoples own, use, occupy, or claim as an ancestral domain or asset. In considering these characteristics, national legislation, customary law, and any international conventions to which the country is a party shall be taken into account. A group that has lost collective attachment to geographically distinct habitats or ancestral territories in the project area because of forced severance remains eligible for coverage under this policy.

Procedures:

- i. Undertake screening early on to determine the presence of indigenous people and their collective attachment to the project area; and whether project activities are likely to have significant impacts on Indigenous Peoples;
- ii. Undertake participatory social impact assessment, regardless of whether Indigenous Peoples are affected positively or negatively, to assess potential project impacts, both positive and negative, on Indigenous Peoples. The assessment will be gender inclusive and specifically consider women's role in the management and use of these resources. The scope of assessment and mitigation shall include cultural as well as physical impacts.
- iii. Consult the Indigenous People and the concerned Indigenous Peoples organizations and ensure that the project receives the consent of affected Indigenous Peoples communities for commercial development of cultural resources and knowledge of Indigenous Peoples, physical displacement from traditional or customary lands, and commercial development of natural resources within customary lands that would impact the livelihoods or the cultural integrity of the Indigenous People.
- iv. Avoid, to the maximum extent possible, any project that can negatively impact Indigenous Peoples' traditional cultures, as well as ownership and user rights on lands, territories, resources, and livelihoods. Where avoidance is not possible, ensure that the affected Indigenous Peoples communities provide inputs to the project design, implementation, monitoring and evaluation. Adequate mitigation measures should also be taken and a suitable plan prepared for the Indigenous People.
- v. Avoid, to the maximum extent possible, any restricted access to and physical displacement from protected areas and natural reserves. Where avoidance is not possible, ensure that the affected Indigenous Peoples communities participate in the design, implementation, monitoring and evaluation of management arrangements for such areas and natural resources and that their benefits are equitably shared.
- vi. Design and implement the project in a manner that provides affected Indigenous Peoples and concerned Indigenous Peoples organizations with equitable access to project benefits. This will be addressed through meaningful consultation with the Indigenous People in designing, implementing, and monitoring measures to avoid adverse impacts or, when

⁸ The term Indigenous Peoples is used in a generic sense to refer to a distinct, vulnerable, social and cultural group possessing the following characteristics in varying degrees: (i) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (ii) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (iii) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (iv) a distinct language, often different from the official language of the country or region.

avoidance is not possible, to minimize, mitigate, or compensate for such effects. Undertake gender inclusive capacity development to enable the Indigenous People to obtain the greatest benefits from the project. Document the consultation results and describe how Indigenous Peoples' issues have been addressed in the project design in a culturally appropriate manner.

- vii. Promote sustainable development benefits and opportunities for Indigenous Peoples in a manner that is accessible, culturally appropriate and inclusive. Engage with the relevant Indigenous Peoples to ensure their ownership and participation in project design, implementation, monitoring and evaluation. The project should also consult with them as to the cultural appropriateness of proposed services or facilities, and should seek to identify and address any economic or social constraints (including those relating to gender) that may limit opportunities to benefit from, or participate in, the project.
- viii. Prepare an Indigenous Peoples Plan (IPP) for any project that is anticipated to adversely affect Indigenous Peoples based on the social impact assessment.⁹ This plan should be prepared at the earliest stages of project development, and be integrated into the design of the project. The IPP includes a framework for ensuring free, prior, informed, and continued consultation with the affected Indigenous Peoples' communities during project implementation; specifies measures to ensure that Indigenous Peoples receive culturally appropriate benefits; identifies measures to avoid, minimize, mitigate, or compensate for any adverse project impacts; and includes appropriate grievance redress mechanisms, monitoring and evaluation, and a cost estimate for implementing the planned measures. When designing the grievance redress procedures, the client should take into account the availability of customary dispute settlement mechanisms among the Indigenous Peoples and judicial recourse. The IPP will also include an action plan for legal recognition of customary rights to lands and territories or ancestral domains to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate.¹⁰
- ix. Where other than indigenous people will also be affected by adverse impacts of a project development, a community development plan may be appropriate. The format and title of the plan may be adjusted to suit the project situation. The determination of the appropriate planning scope, as well as determination of appropriate mitigation measures, may require the input of competent social development specialists.
- x. Disclose a draft IPP or community development plan to the affected Indigenous Peoples communities and other concerned communities at an easily accessible place and in a culturally appropriate form, manner, and language understandable to affected Indigenous Peoples communities and other stakeholders. The IPP will include documentation of the consultation process and the results of the social impact assessment in a timely manner, before project appraisal. The final IPP and its updates will also be disclosed to the affected Indigenous Peoples communities and other stakeholders.
- xi. Establish mechanisms and benchmarks for project monitoring, evaluation, and reporting on the implementation of the IPP using qualified and experienced experts. The monitoring and evaluation mechanisms should include arrangements for the free, prior, and informed consultation with the affected Indigenous Peoples' communities; and assess whether the IPP's objective and desired outcomes have been achieved, taking into account the baseline conditions. Disclose monitoring reports.

⁹ Such project may involve (i) activities that are contingent on establishing legally recognized rights to lands and territories that Indigenous Peoples have traditionally owned or customarily used or occupied, or (ii) involuntary acquisition of such lands.

¹⁰ This will include project that: (i) established on legally recognized rights to lands and territories that Indigenous Peoples have traditionally owned or customarily used or occupied, or (ii) involuntary acquisition of such lands.

5.2.3. Project Cycle Management Integration and related procedures

The Fund shall integrate its ESMS strategies and requirements into the Fund's project cycle management policies as follows:

Table 5.1: Procedures to integrate ESMS into project cycle management

Project Cycle Step	ESMS Intervention
Issuance of call for projects	The Fund will include references to applicable components of the Fund's ESMS policy in the call for projects using the template included in Annex 1 of the Operational Manual. Specific links to the Fund's website will be provided too, including web links to the Fund's Operational Manual, forms and templates to be used by project proponents, contact information of Fund staff responsible for ESS management and FAQs related to the Fund's ESMS Policy.
Submission of project concepts	As part of a project concept, the proponent will provide ESS relevant information as required by the Fund in the call for projects.
Pre-appraisal of project concepts	• The Fund will review each project proposal, including in particular the ESS information provided by the proponent following Fund guidelines. • In assessing the ESS information, the Fund will also ensure compliance with national legislation on environmental protection, including environmental impact assessment and other applicable regulations. • In cases where ESS information provided is insufficient, the Fund may request additional information from the proponent prior to pre-appraisal or reject the project concept. • The Fund will review the initial ESS assessment, using the pre-appraisal ESS & project risk form included in Annex 1 of the Operational Manual. This will include an initial ESS categorization of the proposed project according to the environmental and social impact significance. • In cases, where a project concept is selected by the Fund for further development and the initial ESS screening concludes that a full scale or a limited/focused ESIA will be necessary, the Fund CEO will decide whether a full scale or a limited/focused ESIA will be formally required as part of the full project development process. • The Fund will inform each project proponent about the results of the project concept assessment including the initial ESS screening
Submission of full project proposals	• For project proposals requiring an ESIA, the Fund will approve the proponent's choice of independent experts to carry out the ESIA. The Fund may participate in consultations that are held as part of the ESIA procedure. • As part of a full project proposal submitted by the proponent to the Fund, the proponent will provide ESS relevant information as required by the Fund. This will include the ESIA, in case an ESIA was requested by the Fund.
Appraisal of project proposals	• The Fund will review each project proposal, including in particular the ESS information provided by the proponent. • In cases where ESS information provided is insufficient, the Fund may request additional information from the proponent prior to appraisal or reject the project proposal. • The Fund will complete the full ESS appraisal. • For each project appraised and in line with the Fund ESMS, the Fund will

Project Cycle Step	ESMS Intervention
	formulate ESS related conditions and requirements that the proponent will have to implement in case the Board decides to provide financial support for the project. • In case of project proposals falling into ESS category A, the Fund will upload ESIA summary information on the Fund website for 120 days before Board consideration of financial support from the Fund. • In case of project proposals falling into ESS category B, the Fund will upload ESIA summary information on the Fund website for 30 days before Board consideration of financial support from the Fund.
Project selection	• The Board will decide which project proposals will be granted financial support from the Fund. As part of that decision, the Board will confirm the ESS related conditions and requirements that the proponent will have to implement, as defined during project appraisal. If the Board decides to modify the proposed conditions and requirements, the Board will be required to produce a detailed explanation for reasons of such modification and these explanations will be included in the Board proceedings.
Project contracting	• The Fund will include ESS related conditions and requirements, as well as reference to all relevant aspects of the Fund ESMS policy, into the contract to be signed by the Fund and project contractor. • Immediately after a project contract has been signed by both parties, the project may start with physical activities subject to any domestic planning, Building Authority and other approvals, and the Fund will upload on its website summary information on the project, including a summary of findings of ESIA's in the case of projects that required an ESIA. The full ESIA report will be provided only upon request.
Project implementation	• The client will monitor ESS and risks, implement agreed mitigation measures as reflected in the environment/social management and monitoring plan and report on ESS measures at regular intervals (as agreed in project contract) during project implementation. • The Fund will review ESS and risk information as reported by the client in project progress reports. If necessary, the Fund will conduct site/project visits to ensure that agreed ESS and risks management measures are implemented. If necessary, the Fund will engage with the client to adapt ESS mitigation measures as part of a contract amendment, e.g., if unforeseen significant impacts emerge or if agreed mitigation measures turn out to be insufficient.
Project closure	• As part of the project completion report, the client will report on ESS and risk aspects of the completed project. This will include an ex-ante (expected risks during project design) and ex-post comparison (actual risks encountered and mitigated during project implementation). • The Fund will review the ESS information included in the project completion report and verify that all contractually agreed ESS and risk management measures have been properly implemented. In case of projects that required an ESIA, the Fund will conduct a final project visit to ensure that environmental and social impacts have been mitigated as agreed and Affected Communities are in agreement with the agreed, implemented mitigation measures. • The Fund will transfer the final instalment only once all agreed ESS

Project Cycle Step	ESMS Intervention
	requirements have been addressed in a satisfactory manner. • Based on the ex-ante and ex-post information as regards ESS and project risks provided by the client, the Fund will draw and communicate internally lessons learned (continuous institutional learning). • The Fund will publish on its website information on ESS and risk aspects of the completed project if such disclosure was agreed as part of the project contract with the client.
Project evaluation	• ESS and risks aspects of a project will be evaluated in the following cases: ○ Particularly complicated project or project that encountered significant problems during implementation ○ Lighthouse/demonstration project ○ Evaluation offers large potential for institutional learning as regards risk management and/or ESMS development ○ Evaluation requested by the ultimate financier (e.g., GCF, bilateral donor, etc.)

6.1. Fund Communications Strategy

This strategy sets the overall direction for communications work for the Fund. It covers: overall communications aims; main audiences; key messages; and recommended communications channels, tools, and systems. It also suggests monitoring and evaluation (M&E) options for communications.

The strategy is designed to offer value for money, with stakeholder engagement led by Fund representatives and external allies, and with an emphasis on personal interaction, supported by robust evidence from Fund-supported projects and other experience. The aim of the strategy is to promote and support strong relationships between the Fund and its key stakeholders (with a focus on key national allies, current and potential Fund development partners, and international knowledge brokers that can spread the word about the Fund's work).

The aim is to offer a practical framework for communication planning and prioritisation, which can be led and managed by the Fund team. Evolution of the strategy will be informed by feedback from the team and from Fund stakeholders, by M&E, and through the annual review process. It is intended to be a flexible document that can be updated by the Fund to take account of internal and external changes.

6.1.1. Introduction and purpose of strategy

In order to position itself effectively as a financial mechanism in a changing context, the Fund must attract the attention and retain the interest of priority audiences, and gain recognition as a reputable financial institution.

This communication strategy sets the direction for communications work for the Fund and covers: communications aims; key audiences; key messages; and recommended communications channels, tools, and systems. It also suggests monitoring and evaluation (M&E) options for communications, for integration into the Fund's overall M&E framework. It is intended as a tool to:

- Support the Fund's management team in deciding where to focus communications effort and resources.
- Act as a framework that can be reviewed and updated to address the changing needs of the organization. It allows for the possibility that there may be limited communication staff resources.
- Ensure that key priorities and messaging are embedded into Fund communications plans from the earliest stage.
- Support regular communications efforts, such as: media engagement; consistent branding; drafting web copy (for the Fund's own web pages and for relevant third party sites) and marketing materials; and co-ordination of communications with partners.

The strategy is designed to be led and managed by the Fund team, and used as a flexible document that can be updated to take account of internal and external changes. Evolution of the strategy will be informed by feedback from the Fund team and stakeholders, M&E, and annual review.

6.1.2. Communications objectives and intended outcomes

The overall aim of the communication strategy is to ensure that communications work aligns with the Fund's spending strategy and the Fund's priorities. The Fund's mission and core proposition emphasise an inclusive approach that involves a range of stakeholders in project planning and

implementation; and the importance of building trust and confidence with Fund partners and funders through streamlining procedures and transparent decision-making. These are areas where effective communications can make a strong contribution. It is important to establish clear communication goals, against which possible activities can be 'tested' to assess whether they are a good strategic fit – the 'Why are we doing this?' question. Proposed strategic communication goals:

- Raising awareness and sustaining engagement with the Fund amongst priority audiences (particularly government partners, private sector, development partners and Fund 'allies')
- Increasing approval of the Fund amongst key stakeholders, and building recognition of the Fund in the climate change landscape, using a steady flow of consistent messaging about what the Fund is, what it does, and evidence on the Fund's progress to date
- Driving demand for the Fund amongst potential project applicants.

Any proposed communication activity should clearly contribute to at least one of these aims. (See below for more on each goal.)

Goal 1: Raising awareness and sustaining engagement with the Fund amongst priority audiences

Communication work can help to bridge the gaps between face-to-face interactions with stakeholders led by Fund staff and external allies. Activities¹¹ might include: developing/adapting current materials to make them more appropriate to audiences beyond the Board and distributing them more widely; building and updating a contacts database; a 'soft' programme of keeping in touch via the Fund newsletter and e-alerts (for example, about media coverage, events, or new publications/material on the Fund website, etc.)

As a result of successful actions expect to see:

- Evidence of awareness of Fund progress from key government stakeholders, private sector, from relevant development partners, and other priority stakeholders
- Fund news and case studies are shared by external stakeholders
- An increase in web traffic following a Fund e-alert or news item.

Goal 2: Increasing approval of the Fund amongst stakeholders, and building recognition of the Fund in the climate change landscape, using a steady flow of consistent messaging about what the Fund is, what it does, and evidence on Fund progress to date

Communications work can help by:

- Developing and maintaining Fund-related material that helps staff and allies to promote the Fund effectively by stressing relevant benefits to stakeholders and ensuring it is distributed effectively and easy to find online
- Supplying Fund-related news and evidence of progress to international climate change hubs as well as national mainstream media
- Actively seeking reciprocal web links with a range of relevant organizations and seeking low-cost communication opportunities with partners

¹¹ Indicative only – see section 6.1.6. on tools and channels for more about methods

As a result of successful actions expect to see:

- The Fund team and key allies say they have the materials and background information to be able to talk confidently about the Fund and explain its benefits
- Online search reflects Fund key messaging, and Fund's own material is consistent.
- Reference to the VI Climate Change Trust Fund by the regional and international climate change community in various fora and publications.

Goal 3: Driving demand for the Fund amongst potential project applicants.

Communications work can help by 'showcasing' project successes and lessons learned, using robust evidence from Fund-supported projects and other experience in case studies and media stories; and giving an external perspective on application processes and materials to ensure they are clear and user-friendly.

As a result of successful actions expect to see:

- An increase in appropriate responses to calls for submission of projects, following promotional activity.
- Potentially, projects supplying material appropriate for use in Fund communications, and acting as 'ambassadors' for the Fund.

6.1.3. Internal communications

The focus of internal communications is to keep staff (and where relevant, the Board) well-informed about the Fund's 'big picture', keep them up-to-date about Fund activities and progress, and to encourage them to play an active role in communicating the Fund's offer. This should increase the range of low- and no-cost opportunities for engagement, and improve the likelihood of consistent messaging when engagement does take place.

A proactive, CEO-led approach is recommended, at least in the short term, to compensate for likely gaps in institutional knowledge as staff may change roles and new staff arrive. Recommended are:

- **Regular all-staff meeting, led by the CEO.** As a minimum, a 30-minute 'coffee-break' meeting once a month at the same time (the timeslot chosen to avoid excluding anyone as far as possible). Content is off the record, as open as possible about what is currently going on, encouraging feedback, issues arising or news (and avoiding asking everyone to list everything they have done in the past month).
- Commitment that Fund **staff hear news before outsiders do**: the easiest method is ad hoc emails: from the CEO or senior managers alerting staff to relevant news. External news releases could be e-mailed to the team at the same time as, or slightly in advance of, an external mail out to media. Emails should make clear whether the news is confidential or not.
- A regular email or intranet front page where staff can post **links to updates or new material**.
- Ensure that there is a **current all-staff e-mail list** available for managers whether in the office or offsite (including home email addresses if necessary), and that this is updated as

new staff arrive: home contacts are strictly in case of emergency (office closure) or other issue (for example, negative media coverage that staff may be asked about).

- **Formal induction:** all new staff meet the CEO and have a longer meeting with their line manager in their first week. They are provided with a staff list and organogram, any fire and safety instructions, and a colleague is assigned to answer queries, show them how IT systems work, etc., for their first week.

6.1.4. Target audiences

An inclusive approach that involves stakeholders from international development partners and the public, private, academia and CSO community in the planning and development of projects is important for the Fund. A realistic, phased communications approach is needed to achieve this. Communications can best support the Fund's aim of gaining influence by building relationships, at the global level and within the Virgin Islands, with a small number of high- and medium-level 'allies' – individuals who are already at least partly persuaded by the Fund's remit and approach. Such intermediaries are important in boosting the Fund's reach given limited resources, the need to engage on complex issues, and the value of endorsement by influencers with perceived status in building trust for the Fund.

Stakeholder mapping needs to be undertaken on a regular basis. Face-to-face engagement is necessary on a regular basis by senior officials, Fund staff and external Fund consultants. Communications support using a structured stakeholder contacts programme, an accurate database, and regular email updates, will help to maintain momentum between face-to-face contact by senior Fund representatives. (See also Channels section, 6.1.6.)

A priority for Fund communications should be to start to assemble a sustainable core group of allies and supporters. The aim is to encourage this core group of allies to communicate, cite and discuss the Fund's messages and progress – even if they do not wholly agree with the Fund's approach (some will, of course, also have their own agenda and priorities). Allies will be drawn from the Board, relevant ministries, current development partners, and 'champions'. 'Champions' are individuals who can influence Fund priority audiences: they include heads of relevant business and professional associations, and international 'knowledge brokers' – e.g. online climate commentators, and people who lead thematic networks and communities of practice.

The table below lists audiences in priority order (the table should be updated on a regular basis). Lines of engagement are also suggested below. Individuals and organisations listed are indicative only and will need discussion with Fund staff and Board members to agree those who are asked to be proactive allies.

Table 6.1: Target audiences, communication and lines of engagement and related responsibilities

Priority level	Audience	Communication, Lines of engagement	Led by (tbc)
1	Fund staff	Use all key messages (see section 6.1.5)	CEO
1	Board members	With your help, the Fund is already making strong progress. We need champions to spread the word – can you help?: use all key messages	CEO, Board Chair
1	Ministry senior levels and ministerial team	The Fund is a national success story, helping to lead work in an important new area. Learn more, spread the word: use all key messages	CEO, Ministry officials responsible for Fund
1	Current allies in key ministries (e.g., Energy, Environment, Forestry, Fisheries, Tourism, Industry, Finance)	The Fund is a national success story, and helps to reduce risk in piloting new ideas. Our ministry is involved [in this way]. Spread the word to colleagues and donors: all key messages	
1	Current development partners	You as development partner are well positioned to support this important work. This is the progress the Fund is already making. It needs influential people like you to help to develop country-led solutions that will really work: use all key messages	
1	Key influencers, potential core allies (e.g. key contacts at climate finance networks)	You are already ahead of the game in addressing climate change. The Fund is doing important work. We need your help to share this news with your networks. Encourage them to find out more, get involved.	
1-2	Potential development partners	The Fund is already making strong progress and is a strong candidate for your investment: all key messages with a focus on success stories and financial probity	
2	Current and past Fund beneficiaries	You are involved in ground-breaking work. We need your help to spread the word, encourage others to propose projects and follow your lead. Case studies and ‘how, why’ key messages	
2	Private sector ‘connectors’ (e.g. business associations, sector-specific networks)	Customised approaches based on examples of return on investment and ease of doing business with the Fund	
2	National media	Channel to other audiences rather than audience in its own right – see Channels section. Needed to leverage the Fund profile domestically, and drive project engagement	

Priority level	Audience	Communication, Lines of engagement	Led by (tbc)
2	International climate change media and knowledge hubs	Channel to other audiences rather than audience in its own right – see Channels section. Needed to leverage Fund profile amongst global decision makers, donors, NGOs and private sector	
2-3	Potential partnership and network organisations, CSOs and academic community (needs disaggregation, but target potential ‘early adopters’)	Create buzz about Fund projects and the potential to apply for Fund support. Understand project criteria and aims and spread the word, inform debate, comment: use all key messages but preferably engage with early project findings	
3	CSOs and local NGOs	Perhaps not an immediate priority, but continue to engage and inform current NGO partners and CSO contacts	
2	Regional decision makers (e.g. regional institutions)	Create buzz about Fund projects - position Fund as a regional success story	
3	Local communities where the Fund is engaging	Encourage engagement by Fund project leads	

6.1.5. Using key messages

The Fund's key messages are intended to:

- Convey the main points about what the Fund is, what it does, and why it is important, particularly at first point of contact with key stakeholders (who may not be climate specialists)
- Convey the Fund's 'brand' strengths and what the programme is and is not designed to do (i.e. manage expectations)
- Provide consistency in Fund communications, which may be undertaken by a wide range of stakeholders.

Messages are not intended for publication and are not brand slogans. Key messages should help Fund staff and allies to answer the question 'What do you do?', even at a gathering of non-experts. The normal guide is to aim for a **maximum of three messages** in any one communication; there is no need to follow the words used exactly. Messages need to be supported by facts and evidence that will gain the attention of target audiences. It is also recommended that for initial meetings and launch, the full name rather than the acronym is used, as the full title describes the Fund offer accurately.

The Fund will also need to finalise an 'elevator pitch' (the 30-second, 'this is what the Fund is all about, how might this interest you?' statement) based on the final key messages.

It is recommended that messages are reviewed and updated annually: supporting facts and evidence may be updated more frequently as lessons and findings emerge, and may be customised to fit the audience context.

6.1.6. Communications channels and tools

Communications tools and channels should support the Fund's overall goals and communication goals. They need to:

- Offer value for money (e.g. using systems and templates that save time)
- Showcase the expertise of Fund staff and the Fund's strong partnerships
- Encourage realistic engagement by stakeholders and provide opportunities for feedback and involvement (e.g. by making Fund findings more accessible to non-specialists and to time-poor audiences; by providing potential applicants with case studies of 'good' projects to encourage more relevant applications)
- Emphasize Fund probity, transparency and progress.

Recommendations below also aim to help the Fund's current communication tools and channels 'work smarter'. Fund marketing materials need to be produced and regularly updated and should be reused or re-versioned across channels (e.g. website, news release, slide deck), or widely distributed. Materials should include explicit calls to action and messaging needs to be clear. Marketing materials and website need to make use of strong images – photographs and infographics – that tell a compelling story and can be used across a range of materials. Similarly, the Fund should engage in major/relevant climate finance related events, including at national and international levels. Each intervention should be planned as part of a bigger strategic picture, leading to cumulative and sustained impacts.

Recommended communications tools and channels are listed below, in approximate priority order, although some activities are likely to overlap:

- **Core communication toolkit** [overlap with web content]
- Fund website
- **Fund branding guidelines** (adjusted for partner use)
- Fund project collateral
- Stakeholder contact programme support materials
- Fund publications - format guide and templates
- People – promoting Fund expertise
- Fund events (either Fund led or participation)
- Structured media engagement
- Media contacts and knowledge brokers database
- Fund contacts database
- Visuals and infographics
- Social media – e.g., YouTube, Twitter

The rest of the section offers recommendations on each item.

Core communication toolkit: A Fund briefing toolkit to support Fund staff and allies in discussions and presentations about the Fund save time in preparing communication activities and ensure consistency. The 'kit' should be available on the internal IT system and as a small folder that can be emailed to allies. It should be regularly updated and items dated, to ensure the most recent version is used. Much of the content will be public information, also available on the website and in external publications. (see below). **Proposed contents:** general Fund factsheet; introductory PowerPoint slide deck (what is the Fund, what does it do); most recent Fund project case studies (2 or 3 that share lessons learned); Fund contacts list; brief biographies of key staff; FAQs; key messages (internal).

Fund website: The website should be easy to navigate, articulate the Fund's value added service, and emphasise the Fund's priorities, key messages, and strategic partnerships. The website can also be used to manage expectations (i.e. by clear messaging about project criteria, and organisations that the Fund can work with). Note that content should not simply be drawn from Fund documents/publications as such text may not be suitable for website use: web copy needs to be much shorter, and the areas that users will look at first (this can be monitored on Google Analytics) need to be dynamic. Content management responsibilities should ensure that web pages are frequently refreshed, so that the website is an effective shop window for the Fund nationally and globally. Visually, the website should also appeal to time-poor audiences, ideally image-driven (this can be photos, maps, graphs or infographics that demonstrate Fund progress). Website usage should be high: traffic can be boosted by a sustained effort to encourage reciprocal website links with partners and include links in e-mail updates. Key metrics can also be put in place to support M&E on specific Fund activities such as tracking applications, or document downloads, if required (see Section 6.1.10, M&E). For additional requirements for the Fund website see dedicated section 6.3 on minimum requirements for the Fund.

Fund brand guidelines: The Fund should have a logotype which appears on most external materials and is used consistently. Branding consistency is a basic requirement for any organisation that wishes to present itself professionally. It is even more relevant where an organisation is involved in partner activity where multiple brands may appear. There should be Fund branding guidelines and a system for joint branding of material. The logotype should be registered and protected. The Fund logotype should be in national languages and in English in order not to exclude some audiences. Recommended contents: style sheet and colour references for use of Fund brand both as a stand-alone and jointly with partners; branding templates for standard stationery items, PowerPoint, e-alerts, and news releases; ideally, templates for standard event support materials (backdrop, signage, feedback sheets). The Fund will also need templates for publication formats.

Fund project collateral: Fund-supported projects have to supply the Fund with project reporting and related information. Project site visits should be offered to funders and videos and pictures can be included. There may also be a ceremonial signing when projects start, offering a brief news and/or photo opportunity. These do represent communications opportunities (e.g. for Fund and/or development partner web content; for local or national newspaper stories, and on local/community radio). Some donors formalise requirements ranging from displaying branding to supplying case studies.

Stakeholder contact programme and support materials: The Fund's face-to-face stakeholder engagement needs to be supported by communications, by putting in place a structured stakeholder contacts programme: a regular, planned flow of news, Fund updates, and opportunities to engage. This will maintain momentum and widen outreach beyond what a small number of energetic individuals can physically do, given the number of potential stakeholders. The Fund's communication staffing levels may make this a challenge, but it can be leveraged with structured use of email, website and online tools, and a wide distribution for the Fund's newsletter. (See also social media, end of this section.) Recommended are:

- **Fund e-alerts** - simple e-alert template for ad hoc, brief emails, ideally with links to news items, to be sent to the Fund's mailing list (and media, if appropriate). This may also be replaced by Twitter (see 'Social media' below).
- **Fund (quarterly) newsletter.** An online template should be developed, focusing on short news items, links to new publications, alerting readers to opportunities to attend events, watch presentations online or otherwise engage with the debate on the Fund's work. The online newsletter can either be emailed direct, or a link to the newsletter can be emailed to Fund contacts. The 'link' route enables users to access the newsletter in English language, and drive users to the Fund website, enabling M&E of its use.
- Both the e-alert and the newsletter will need support from an **up-to-date contact database and a free or low-cost mailing system such as Mail Chimp**. It will be necessary to offer an opt-out to users to avoid spamming.
- These can be supplemented with invitations to events, where appropriate, and **wider distribution of printed material** (see below).

Fund publications - format guide and templates: The Fund should have a range of publications (e.g. brochures, case studies, annual report, technical reports, etc.) and materials developed. The Fund should streamline its publications portfolio into a maximum of around 5-10 simple formats, each with its own 'rules' that can be summarised in a one-page reference grid (e.g. main audience, distribution, preparation time required, word length, editing, formatting and sign-off). The emphasis should be on options that make technical information accessible to key stakeholders in formats and

media they find convenient, such as: executive summaries of reports, case studies, e-mail digests/e-alerts (see above) and other 'bite-size' formats (e.g. slide share briefings), designed to demonstrate good Fund practice and to be shared by stakeholders. A streamlined approach should reduce development time for individual products, and enable the Fund and project leads to 'work smarter' by re-versioning the same material across a range of channels to address the varying levels of expertise and interests of different stakeholders. See also dedicated section 6.2 on minimum requirements for the Fund Annual Reports.

Annual report and annual results communication process: A regular campaign based around the publication of the annual report is recommended. The communication of results should be seen by external stakeholders to be clearly led by Fund's CEO and head of finance in terms of formal reporting requirements and numbers, following signoff by the Board. The communications work should be led by the communications team in: writing the narrative report; publication design and production and a dissemination plan (e.g. launch, e-alert, 'investor relations' outreach). See also dedicated section 6.2 on minimum requirements for the Fund Annual Reports.

People – promoting Fund expertise: The potential for systematic deployment of Fund staff and 'allies' and leveraging of opportunities for cross-promotion should be used, including:

- Involving Board members in joint activity (e.g. a news release about new development partner funding) and cross-promotion (e.g. partner news alerts, or reciprocal web links)
- Web and media announcements about new senior Fund staff
- Invitations to and participation in key Fund events by allies
- Seeking opportunities for senior Fund people on panel at partner or international events
- Sharing of Fund lessons and learning (e.g. via inexpensive video clips)
- Media – provide opinion pieces from the Fund.

This needs to be supported by the Fund via regular contact with current and potential allies to help them feel involved (see Stakeholder engagement, above). As resources are limited, methods such as advance notice of external events, occasional invitations to Fund events, or citations by the Fund of allies' work may be used. If 'allies and supporters' include senior officials, they may also be willing to help Fund staff to engage with other senior ministry contacts. There may also be potential for '**internal' profile-raising within Government ministries**, by emailing news items and links, or more substantially through engaging with relevant policy teams, or hosting informal briefings. Internal engagement may need agreement from the Board and discussion with other ministries to determine which groups of staff might find Fund information appropriate and useful, and to place information on ministries intranets where they exist and if they are used. See also section 6.1.3, Internal communications.

Fund events (either Fund-led or participation in external events): The Fund should strive to become a key "voice of climate financing" in the Virgin Islands, e.g., through activities like: organised meetings, climate finance workshops, seminars and related activities that provide direct exchange between and among relevant stakeholders from the public, private, academia and not-for-profit sector. There are even more opportunities than this: for example, event creation for media, such as the signing of new agreements with development partners, or the 'launch' of projects, as mentioned earlier in this section. There is also potential for boosting Fund engagement by working closely with programmes inhabiting a similar policy space, particularly using joint events. Even where competition for resources and share of voice is a constraint, joint convening power and combined

reputation are potential advantages in building a reputation. The aim of such activities would be to strengthen the Fund's reputation with a range of relevant stakeholders, and (later in the programme) to showcase results to demonstrate Fund impact. If the Fund wishes to develop an active events programme, it will need to systematise event planning, develop an events calendar based on key business priorities and involving all Fund staff; and seek continuous improvement using feedback from attendees about events' effectiveness, using feedback sheets and follow-up phone calls. For major set-piece events such as COP or major international/national meetings, planning should begin several months in advance to agree strategic priorities and involve key staff in planning.

Structured media engagement: The Fund should invest appropriately in media, for example by using advertorials, media awards, and creating opportunities for media to attend Fund project site visits. Recommended activities include:

- **Achieving a wide range of 'editorial' coverage** of the Fund including short news items; occasional opinion pieces (op-eds) authored by Fund staff; Fund success stories in coverage of a minister (e.g. speech, press conference); etc.
- Providing factual, non-technical, **background briefings** to selected journalists about climate issues at topical opportunities (e.g. before COP or other climate finance related meetings).
- **Capacity building with Fund staff** to enable them to engage with the media (e.g. to provide factual briefings).
- When possible engage also with **global media** and newswires that cover development and climate such as Reuters AlertNet, and **climate and/or development knowledge hubs** such as SciDev.Net.

Media contacts and knowledge brokers database: In order to support media engagement, the Fund will need to develop a database of journalists and content managers for key knowledge hubs, in order to respond to opportunities. This can be a simple Access or Excel database. If stakeholders are accurately categorised, this could alternatively be a sub-set of the Fund's main contacts database (below).

Fund contacts database: The Fund should develop a stakeholder contact list (Access, Excel, or similar) and rules or menus for consistent inputting of information so that stakeholders can be searched by category. The communication team should maintain the media contacts, and will be the focal point for mail outs of news etc. However, the overall list could be maintained by other staff members. Although growth of the list is useful, it is the quality of contacts, rather than quantity, which is the main aim: 100 great contacts who appreciate news from the Fund is much more valuable than a large list of names with no relationship-building attached.

Visuals and infographics: The Fund should invest in a small selection of photos, graphs, maps, and/or simple infographics that can be used repeatedly on the website and across a range of marketing materials. If these are exclusive to the Fund, this is ideal, but even generic photos that are well-captioned and clearly illustrate a point will support the Fund's key messages.

Social media: The Fund should:

- Establish a RSS feed on the Fund website which includes news from third party sites (as a mechanism for refreshing the site and improving usage and search at slow news times for the Fund).

- YouTube (or links to YouTube) for online seminars or inexpensive video demonstrations of approaches used at Fund project sites (to share findings and support capacity-building). The use of visuals also overcomes translation and other language issues.
- Twitter, which is useful for media engagement (it is the primary source of stories for Northern journalists) and to engage with knowledge brokers and the global development community.
- Regularly updated FaceBook content, tuned with the Fund website.

6.1.7. Communication Systems

This section sets out the priority communications systems that should be developed.

Table 6.2: Priority communications systems

Activity	System	First point of contact
Key messages – draft and revision	Drafted by staff member, developed and reviewed by Communications Assistant (CA), Designer (Des) and other Fund staff	CA
Communications log	Held by CA. Any Fund team member can input	CA
Communications toolkit	Quality assured by management member, CA, Des	CA
Updates and reviews of toolkit and messages	Led by CA, reviewed by Des, other Fund staff	CA
Branding guidelines	Des develops, checks items, updates guidelines for new uses e.g. new partners	Des
Communications support materials (e.g. e-alerts) Updates and reviews of material	Drafted by CA and Fund team members, quality assured by CEO or senior staff member. If involves partner, partner and/or Board to approve	CA
Website updates - draft and approval	Content management system	CA - CEO/Des signoff (for branding)
Material for external websites (e.g. development partner)	Drafted by Fund team using comms toolkit. CA oversees	CA - CEO/Des signoff (for branding)
Action plans for major communication activities	Use action plan template; all Fund team members involved should meet to discuss.	CA - CEO or signoff
Invitations to present at events etc.	CEO oversees	CEO signoff or Board for international/policy events
Annual action plan and events calendar	Held by CA. Any Fund team member can propose activity,	CA

Activity	System	First point of contact
	needs approval from CA and CEO	
Fund publications – templates and guidelines for authors	Held by CA and Des	CA and Des
Fund publications – draft and approval	Initiated by any senior Fund staff member in consultation with CA. Internal peer review, editing check by CA, signoff by CEO and Des (for branding)	CA and Des
Media handling – drafts for media and approval	CA, CEO	CA
Briefing and support materials for official use (e.g. Ministerial briefings, copy for speeches)	CA with approval from CEO, Board	

6.1.8. Fund timeline

The Fund should develop and continuously update planning milestones as well as external events that may provide topical hooks for promotion. The aim is not to cover a large number of events but to have around 5-10 ‘markers’ a year that are identified as communications opportunities.

6.1.9. Communications risks and issues to consider

The Fund should develop and continuously update information that relates to communications risks and related mitigation measures. A format for such an exercise with some examples is included below.

Table 6.3: Management of communication risks

Risk	Likelihood (Low/Med/High)	Consequence (Low/Med/High)	Mitigation
Negative media or online coverage of the Fund e.g. re Fund project perceived as controversial or failing	Medium	High	High if an issue is not dealt with quickly. Ensure regular media monitoring, and prepare Q&A sheets for major issues. CEO, CA, and senior Fund staff share mobile numbers in case of issues (particularly out of hours).
Fund reputation damaged through the actions of allies	Low	Medium	Provide clear messages and regular updates on the Fund. Ensure disclaimers are used online or on publications, stressing author independence.
Etc.			

6.1.10. Monitoring and evaluation of communications

This section suggests options for monitoring and evaluation (M&E) of Fund communications.

Monitoring: continuous tracking, or regular data capture, providing ongoing information about Fund progress in communications: for example, web analytics, media coverage; external citations of Fund work; production of communications outputs. The focus is on indicators that can be tracked automatically, or easily captured by any member of staff. Note, however, that outcome and impact evaluation for communications can be difficult or costly to isolate (e.g. is a surge in website users the result of effective communications, or some other factor?).

What should be monitored?

The list is a menu of options, from which 3 or 4 key indicators may be chosen:

- Fund webpage activity tracked using Google Analytics.
- Document downloads from Fund website, tracked using Google Analytics
- Citations and other external reviews or mentions of Fund work (potential qualitative dimension)
- Evidence of Fund allies engaging externally to share Fund news or influence the international agenda in ways relevant to the Fund, and/or fluctuations in the number of proactive Fund allies (potential qualitative dimension)
- Positive or neutral media coverage, where it is possible to track this (broadcast media can be difficult or expensive to track)
- E-mailing list statistics – increase in numbers of relevant contacts, numbers asking to receive the Fund newsletter, statistics on click-through to Fund web pages after e-news mail-outs
- Social media statistics where relevant
- Use of Fund material by external stakeholders; quotes/feedback from stakeholders online/social media (e.g. posting case studies or Fund content on partner websites)
- Meeting or training reports for key events (as well as feedback forms, if appropriate, that ask what delegates will do differently as a result of their engagement with the Fund).
- Feedback from focus groups or other informal qualitative research.

Evaluation: assesses outcomes and, where possible, impact of communication work over time. The most appropriate approach in contexts dealing with complex stakeholder sets would normally be a process of outcome mapping, assessing the behavioural change exhibited by stakeholders or beneficiaries. Briefly, the Fund would identify a small number of individual stakeholders, an overall outcome that they would work towards, and changes in stakeholder behaviour that the Fund would 'expect to see', 'like to see' or 'love to see'. Changes are normally documented in three- to six-monthly outcome mapping 'journals' that track changes in stakeholder behaviour.

More formal review, at one- or two-year intervals, collects qualitative data from selected Fund stakeholders, using evidence from outcome mapping journals, telephone discussions with stakeholders and/or e-mail questionnaires, looking at awareness of and engagement with the Fund. This is normally done either externally, or as an internal-external hybrid approach. In a communication context, discussion areas normally include: Where do you usually get the information/data you need for your work? What are

the most important gaps in information or knowledge in [area being assessed]? When did you last have contact with the Fund? What form(s) did the contact take? What materials or information did you receive (and how)? What action did you take as a result?

The most comprehensive approaches to outcome mapping may be too unwieldy or expensive (e.g. external evaluation costs) for the Fund but scaled down approaches may offer sufficient qualitative data on outcomes and impacts. For example:

- E-mail questionnaires to stakeholders, or – online – pop-up surveys used annually to provide a benchmark and tracking (with some qualitative options).
- Development partner interviews.
- Feedback forms from events or training, if appropriate, that ask what delegates will do differently as a result of their engagement with the Fund.
- Feedback from focus groups or other informal qualitative research.

9.4. Audit and Ethics Committee Charter

A. Purpose

The purpose of the Audit and Ethics Committee (the “AEC” or the “Committee”) of the CCTF is to provide oversight of (i) the internal and external audit and investigation functions of the Fund; and (ii) the adherence by the Fund and its support programmes to appropriate standards of ethical behaviour.

B. Functions

The Fund Board has delegated its authority to the AEC to exercise the following powers and perform the following functions.

Decision-Making Functions

The AEC shall exercise the following decision-making functions:

- Approval of the key performance indicators and methodology for assessing the performance of the Internal Audit Unit (IAU), based upon the performance assessment framework approved by the Board.
- Approval of the IAU’s annual audit and investigation work plan, guidelines, processes and procedures.
- Selection and appointment of the external auditor of the Fund and its terms of engagement, including remuneration and terms of reference, for ultimate approval by the Board.
- Approval of approaches for (i) the release of IAU reports in accordance with the Disclosure Policy of the Fund and other applicable Board-approved policies; and (ii) communication to stakeholders in response to IAU reports.
- Approval of policies setting forth minimum standards for external auditors of grant recipients and policies describing the appropriate parameters for the scope of work of such auditors. Recruitment of such external auditors shall be done in line with the Fund’s Procurement Manual.
- Approval of remedial actions to be undertaken in response to deficiencies identified in ethical standards employed by the Fund and any ethics-related complaints received by the AEC and/or IAU.
- Approval of waivers to permit participation by members of the governing, advisory and administrative bodies of the Fund in matters for which an actual or potential conflict of interest exists, in accordance with the process described in the Code of Ethics and Disclosure Policy for the Fund (the “Ethics Policy”).
- In cooperation with the Independent Integrity Unit, definition and implementation of Sanctions and Sanctions Procedures, as well as any other applicable codes of conduct that may be approved from time to time.

Advisory Functions

The AEC shall advise and make recommendations to the Board on the following:

- The appropriateness of the scope of the mandate and functions of the IAU.

- The appropriate tolerance to be exercised by the Fund in the management of fiduciary and ethical risks, as reflected within the risk management strategy adopted by the Board.
- Analyses undertaken by the AEC at the request of the Fund Board.
- The adequacy and effectiveness of Fund strategies and policies relating to the communication of IAU findings, with due consideration to the Fund's objectives of openness and transparency.
- The adoption of and/or modification to (i) Fund strategies on ethical matters, including those pertaining to human rights, programmatic sustainability and the integrity of funding throughout the grant-making life-cycle and (ii) Board-approved ethical guidelines and standards, including the Ethics Policy and Whistle-Blowing Policies and Procedures.
- The approval by the Board of the annual audited financial statements of the Fund.
- The adoption of and/or modification to financial accounting and reporting policies applicable to the preparation and presentation of the annual financial statements of the Fund.

Oversight Functions

The AEC shall have responsibility for oversight and review in the following areas:

- Oversight of the IAU, including annual review of (i) the IAU's performance against key performance indicators adopted by the AEC; (ii) the audit and investigation guidelines, processes and procedures of the IAU; and (iii) the appropriate allocation of resources to the IAU based upon IAU functions and deliverables.
- Compliance by the IAU to applicable policies and procedures.
- Review significant matters reported by the internal audit function and the adequacy of corrective action taken in response to significant internal audit findings.
- Review significant differences of opinion between management and the internal auditors.
- The identification of emerging risks and oversight of key risk areas as requested by the Board, taking into consideration the audit and investigation findings of the IAU.
- Compliance by the Fund to applicable policies and guidelines of ethical conduct including, but not limited to, the Ethics Policy and the Whistle-blowing Policy and Procedures.
- Implementation of the Fund's codes of conduct.
- The adequacy of Fund systems and procedures to ensure adherence to adopted ethical standards, and the effectiveness of its compliance systems.
- The preparation and production of the Fund's annual financial statements, including, but not limited to, oversight of: (i) the activities of the Fund's external auditor; and (ii) the financial accounting and reporting policies used to prepare and present the annual financial statements.
- The findings and recommendations of the Fund's external auditor and the Secretariat's responsiveness to such findings and recommendations; provided, however, that the AEC will refer oversight of specific issues arising from the external audit to a different Board Committee, based on reference to the particular mandate and functions of the Board Committees.

C. Composition

The AEC shall comprise the following members:

- Three independent members, one of whom shall serve as Chair; and
- Three representatives of Board constituencies, one of whom shall serve as Secretary.

Members of the AEC shall be appointed by the Board. The Chair and Secretary of the Committee shall be selected by the Board Chairperson.

In instances in which the Committee is unable to take a decision, the AEC Chair shall, in consultation with the AEC Secretary, exercise an additional vote in order to resolve such impasse.

Members shall have qualifications and expertise in senior positions in the key areas of work of the Committee. Membership of the AEC should, whenever possible, include a balance of representation with public and private sector experience.

The three independent members of the AEC shall serve in their personal capacity and shall not seek or accept instructions regarding their performance on the Committee from any constituency of the Fund, including any government, organization or other authority, other than through action by the Board.

The three independent members of the AEC may receive an honorarium for their service as independent AEC members, as approved by the Board, in addition to travel expenses and per diems.

All independent members will be required to sign a declaration of independence.

D. Term of Office

The term of office of each member of the AEC shall be determined by the Board in line with the rules for term of office of Board members defined in the Fund Act. The Chair and Secretary of the Committee shall serve in those capacities for a term of one year until the appointment of their successors.

A member's appointment to the AEC may only be revoked by Board decision.

E. Reporting and Communication

The AEC and its constituent members report to and are held accountable by the Board.

The AEC shall prepare a report of its work for each meeting of the Board. The Committee may also prepare ad-hoc reports as requested by the Board, which may relate to the inter-sessional activities of the Committee and its members.

The AEC may from time to time consult with and/or communicate advice and recommendations directly to other Committees of the Board.

The Chair of the AEC shall meet regularly with the Chief Audit Executive (the "CAE"), without members of the Secretariat being present, to discuss the remit of the CAE and any issues arising from audits and investigations. In addition, the CAE and Fund Legal Counsel, as the Fund Ethics Official, shall be given the right of direct access to the Chair and Secretary of the AEC.

F. Rules of Procedure; Member Roles and Responsibilities

The rules of procedure of the AEC, including but not limited to procedures for quorum and voting, shall be set forth under the AEC Operating Procedures. The AEC shall propose the initial AEC Operating Procedures, as well as amendments to it when necessary, to the Board.

G. Review of the Audit and Ethics Committee

The AEC shall undertake and submit to the Board an annual review of its own performance. The Board shall periodically review the output of the Committee, assess its effectiveness and make appropriate recommendations to the Board, in consultation with the Chair and Secretary of the AEC, regarding its membership and functions.

This Charter may be amended from time to time by the Board.

Issued: add date

Declaration of Independence of independent members of the Audit and Ethics Committee

I declare to the best of my knowledge that I am eligible to serve as an independent member of the Audit and Ethics Committee. I undertake to discharge my functions and responsibilities as a member of the Committee with the interests of the Climate Change Trust Fund alone in mind and I will not seek or accept instructions in regard to the performance of these functions from any constituency of the Climate Change Trust Fund, including any government, constituent organization or other authority, other than through action by the Board.

Should there be any change in my relationship with the Climate Change Trust Fund with respect to my independence or eligibility to serve on the Committee, I will immediately inform the Chair of the Climate Change Trust Fund's Board.

Signed: _____

Date: _____

9.6.2. Terms of Reference of Independent Integrity Unit

I. General principles

The Board will establish an Independent Integrity Unit (IIU), to work with the Secretariat and report to the Board's Audit and Ethics Committee (AEC) and 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) as defined in section 9.6.1 and in line with applicable domestic law and best international practices and in close coordination or cooperation with relevant counterpart authorities.

The IIU will enjoy 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 AEC.

The IIU will participate in relevant networks of integrity department/units to ensure that it is up to date with relevant international practice.

All complaints and allegations against the Fund or persons associated with it that fall within the competence of the IIU, as defined in these terms of reference, 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.

The IIU will be free from improper influence or fear of retaliation.

The IIU will be managed by the Head of the IIU. If necessary, IIU staff shall be hired. 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 CEO and the AEC any actual or potential conflict of interest he/she may have in an investigation, and the CEO will take appropriate steps to remedy the conflict. Appropriate procedures will be prepared by the Secretariat, for review by the AEC and Board approval, to investigate allegations of misconduct on the part of any staff member of the IIU, and mitigate any conflict of interest.

Investigations conducted by the IIU will not be a judicial or quasi-judicial process, 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.

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.

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 CEO, the AEC and other parties, as appropriate.

Where the IIU's investigative findings indicate that a complaint was knowingly false, it will refer the matter to the CEO for any further action.

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.

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.

The IIU may engage external parties (e.g. individuals or companies experienced in forensic investigations) to assist it in its investigations.

II. Principal responsibilities

The IIU will:

- a. Serve as the initial point of contact for all alleged and suspected incidents of an integrity violation, as defined in these terms of reference, including fraud and corruption, involving any Fund activity, including by its staff members, procurement by the Fund, and activities (including projects and programmes) using Fund resources directly or indirectly;
- b. Register all complaints and review them to determine whether they fall within the authority of the IIU (or require referral to another body), and determine 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. Adopt appropriate procedures to determine whether an integrity violation has occurred; gathering sufficient related evidence, attempt to identify the integrity violators and establish the extent of the integrity violation as well as the techniques used;
- d. Examine and determine the veracity of alleged or suspected integrity violations against project executing entities, contractors, consultants, service providers, or other external stakeholders, or against the Fund's staff members, report its investigative findings to the CEO and/or the AEC, and make recommendations, as appropriate, that are derived from its findings;
- e. With reference to complaints regarding any activities using Fund resources directly or indirectly or in connection with procurement, provide the CEO or any potential Fund body established to consider remedial actions with investigative findings to decide on remedial actions, including possible sanctions;
- f. With reference to staff of the Fund, investigate allegations of staff misconduct, involving violations of the Code of Conduct of the Fund's Staff (included in section 8.1) and other integrity violations as defined in these terms of reference, including allegations referred to the IIU by the Secretariat; cooperate and coordinate with the CEO and the Secretariat in the conduct of investigation; report to the CEO its findings for the Executive Director to decide on disciplinary actions;
- g. With reference to the CEO, bring to the attention of the Board Chairperson and the AEC the findings on any investigation involving misconduct or integrity violations;
- h. In consultation with the CEO and other designated officials of the Fund, recommend improvements to policies, procedures and controls to mitigate the opportunities for integrity violations in the Fund's activities, including activities implemented through beneficiaries of Fund support, to ensure that all staff, external stakeholders and implementing entities and intermediaries adhere to the highest integrity standards; and document all investigative findings and conclusions;
- i. Provide the AEC 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. Report to the Board on its activities, including summary investigative findings and any remedial action decided upon by an oversight body in the case of external stakeholders, or by a beneficiary receiving Fund support;
- k. In collaboration with the Secretariat and the Executive Director, promote awareness of the Fund's integrity standards, including to all beneficiaries receiving Fund support;
- l. Coordinate with relevant national and international counterpart authorities during investigations of alleged or suspected integrity violations, when considered appropriate and authorized by the CEO or the AEC; and
- m. Prepare and submit an annual report to the Board, summarizing its activities.

III. Governance and management structure

The IIU will be headed by an expert with experience and proven track record in conducting integrity investigations. The Head of the IIU should enjoy impeccable reputation of honesty and integrity and be widely respected and regarded for his/her competence and expertise.

The Board, on the recommendation of the AEC, will be responsible for:

- a. Appointing the Head of the IIU, in an open and transparent manner to be decided by the Board;
- b. Establishing processes or mechanisms for taking actions based on the investigative findings and conclusions of the IIU, as appropriate;
- c. Receiving reports on the activities of the IIU;
- d. Considering and approving the annual budget of the IIU.

The tenure of the office of the Head of the IIU will be for three years; renewable once. In order 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. The Head of the IIU shall not be eligible for any type of employment by the Fund within one year after the date of the end of his/her appointment.

9.6.3. Additional policies and guidelines

As needed, the IIU in cooperation with the Chief Auditor and the CEO shall elaborate additional policies and guidelines needed to implement the requirements included in sections 9.6.1 and 9.6.2, e.g., policies and guidelines related to Anti-Corruption, Anti-Money Laundering, Anti-Terrorist Financing, Whistle Blowing. Such policies and guidelines shall be reviewed by the AEC and adopted by the Board. Once adopted, such policies and guidelines shall be reviewed by the IIU and AEC annually, taking into account good international practice. Should the review performed by the IIU and AEC reveal that the policies and guidelines need to be updated, the IIU in cooperation with the Chief Auditor and the CEO shall elaborate such updates and submit these to the AEC and Board for consideration and approval.

10. Gender Policy

10.1. Gender Policy

10.1.1. Background

The Fund's gender policy is congruent with international agreements, in particular with the Universal Declaration of Human Rights, the Convention on the Elimination of All Forms of Discrimination against Women,¹² and the Millennium Development Goals¹³ and follows up on the sustainable development goals¹⁴ in that it recognizes the equal rights of women and men to access the Fund's services in order to adapt to and mitigate against the impact of climate change.

Key gender definitions are listed below:

(a) Gender: Refers to how societies and specific cultures assign roles and ascribe characteristics to men and women on the basis of their sex;

(b) Gender equality: As enshrined in international agreements and national legislation, refers to equal rights, power, responsibilities and opportunities for women and men, as well as equal consideration of the interests, needs and priorities of women and men; gender equality therefore entails that society values men and women and the roles they play equally;

(c) Gender equity: Refers to the process of being fair to women and men. To ensure equity, measures often need to be taken to compensate for (or reduce) disparity for historical and social disadvantages that prevent women and men from otherwise operating on an equitable basis. Equity, therefore, leads to equality; and

(d) Gender sensitivity: Refers to the understanding of the ways in which people think about gender and the sociocultural factors underlying gender inequality, and how they might be addressed. Gender sensitivity implies a consideration of the potential contribution of women and men to societal changes as well as the methods and tools used to: promote gender equity, reduce gender disparities, and measure the impact of climate change and other development activities on men and women.

10.1.2. Rationale

Three reasons for the Fund's mandate on gender sensitivity include:

(a) Women, as well as men significantly contribute to combating climate change. Shifting towards low-emission and climate-resilient development pathways, requires a large number of individual and collective decisions by women and men;

(b) Climate change impacts women and men differently, often to the detriment of women, and existing gender inequalities are likely to be exacerbated by climate change; and

¹² See <<http://www.un.org/womenwatch/daw/cedaw/cedaw.htm>>.

¹³ See <<http://www.un.org/millenniumgoals/bkgd.shtml>>; and United Nations Economic and Social Council, "Challenges and achievements in the implementation of the Millennium Development Goals for women and girls (E/CN.6/2014/L.7).

¹⁴ See <<http://sustainabledevelopment.un.org/index.php?menu=1300>>.

(c) Gender inequality, exacerbated by climate change, is linked, as are other development areas, to vulnerability and risks. The greater vulnerability of women to climate change stems from gender norms and discrimination that result in the imbalanced division of labour, lower income, and lesser livelihood opportunities; less access and control over land and other productive assets; fewer legal rights; lesser mobility and lesser political and professional representation.

10.1.3. Objectives

The Fund's gender policy has four main objectives:

- (a) To ensure that by adopting a gender-sensitive approach, the Fund will achieve greater, more effective, sustainable, and equitable climate change results, outcomes and impacts, in an efficient and comprehensive manner in all of its procedures and activities;
- (b) To build equally women and men's resilience to, and ability to address climate change, and to ensure that women and men will equally contribute to, and benefit from activities supported by the Fund;
- (c) To address and mitigate against assessed potential project/programme risks for women and men associated with adaptation and mitigation activities financed by the Fund; and,
- (d) To contribute to reducing the gender gap of climate change-exacerbated social, economic and environmental vulnerabilities.

10.1.4. Principles

The Fund's gender policy consists of the following five elements:

- (a) Commitment
- (b) Comprehensiveness, in scope and coverage
- (c) Accountability
- (d) Competencies
- (e) Resource allocation

a) Commitment

By adopting a gender-sensitive approach in its mandate on climate change, the Fund commits to contributing to gender equality, as enshrined in international agreements and national legislation, and other human rights agreements.

The Fund thereby also commits to:

- Understand the sociocultural factors underlying climate change-exacerbated gender inequality, and the potential contribution of women and men to societal changes in order to build resilience to, and the ability to address, climate change;

- Adopt methods and tools to promote gender equality and reduce gender disparities in its climate funding; and
- Measure the outcomes and impacts of its activities on women and men's resilience to climate change.

b) Comprehensiveness, in scope and coverage

The Fund applies its gender policy to all its climate mitigation and adaptation activities.

c) Accountability

The Fund accounts to its Board for gender and climate change results and outcomes, and reports annually in a transparent manner, based on qualitative and quantitative gender monitoring, impact, and outcome indicators as included in the Fund's project cycle management procedures.

The application of the Fund's environmental and social safeguards (ESS) in all supported projects/programmes is mandatory.

Gender-related complaints and grievances that may occur in projects and programmes are processed through the Fund's redress mechanism.

The Fund's management and staff are accountable for gender results. This is reflected in the Fund's human resource management and the procurement of contractors.

The Fund informs project proponents that proposed projects or programmes submitted to the Fund are required to be aligned with national policies and priorities on gender and with the Fund's gender policy.

The Fund requires that women and men be provided with equitable opportunity to be included in stakeholder consultations and decision-making during project and programme preparation, implementation and evaluation.

d) Competencies¹⁵

The Fund strives to reach gender balance in key advisory and decision-making bodies, including in the appointments of its members of the Board, management and staff. The Fund also will appoint a senior staff member(s) with competencies in gender and social development in order to lead the implementation of the policy; the senior staff members(s) will report to the Fund CEO. In addition, the Fund strives for the relevant gender and climate change competencies to be included amongst technical advisers.

The Fund commits to knowledge generation as experience is gained on gender and climate change. It also commits to capitalize on knowledge and expertise gained from other organizations. Such knowledge is to be used to strengthen the competencies of all stakeholders.

¹⁵ Competencies are defined as a set of skills, knowledge, and behaviors acquired from training and experience, that allow individuals and organizations to perform a specific role or task.

e) Resource allocation

The Fund's resource allocation for adaptation and mitigation projects and programmes contributes to gender equality and women's empowerment. The Fund seeks to ensure that its projects and programmes support initiatives addressing the inequity of climate change impacts and to provide gender-sensitive solutions to climate change mitigation, adaptation or readiness. When it is necessary to correct for climate change-exacerbated gender inequality which affects women, the Fund will target funds to support women's climate change adaptation and mitigation initiatives.

10.1.5. Implementation framework

The Fund adopts a gender action plan in order to implement its gender policy. The plan includes six priority areas as follows:

- (a) Governance and institutional structure;
- (b) Operational guidelines;
- (c) Capacity building;
- (d) Outputs, outcomes, impacts and objectives used for monitoring, reporting and evaluation;
- (e) Resource allocation and budgeting; and
- (f) Knowledge generation and communications.

10.2. Gender Action Plan 2018–2020

The purpose of the Gender Action Plan is to provide a time-bound framework within which to operationalize the gender policy. Implementation of the Gender Action Plan will provide the Fund and all partners, public or private, with the tools and processes in order to achieve gender sensitivity in all areas within the Fund's mandate. It will also provide the Board with the necessary information to exercise its oversight responsibility for the Fund's Gender Policy.

The Gender Action Plan is structured into six priority areas and details the implementation actions required for each priority area.

10.2.1. Governance and institutional structure

The overall implementation of the Gender Policy will be the responsibility of all components of the Fund's operational structure.

The Board approves the Gender Policy and will oversee the implementation of the action plan, at least once per year, through the review of periodic monitoring reports, impact evaluation reports and reports from the redress mechanism. The Fund CEO will undertake the implementation of the Gender Policy through the project cycle management process. Furthermore, the Fund CEO will report to the Board on the progress made towards implementing the Policy and Action Plan. A senior social development and gender specialist

will be appointed, with operational responsibility to manage the implementation of the Gender Policy and Action Plan.

Beneficiaries receiving Fund support will be responsible for implementing the Gender Policy as it relates to the Fund-approved projects/programmes, through project identification and implementation, as well as for results reporting.

10.2.2. Operational guidelines

The Policy will be implemented throughout the Fund's administrative and operational processes. Guidelines will be issued for the benefit of external partners, including project proponents and beneficiaries receiving Fund support. The guidelines will apply to all activities, including to the Fund's project cycle management. Core elements will include:

- (a) A mandatory initial socioeconomic and gender assessment, complementary to the environmental and social safeguards (ESS) process, which project proponents will be required to undertake in order to collect baseline data, and to:
 - (i) Determine how the project/programme can respond to the needs of women and men in view of the specific climate change issue to be addressed;
 - (ii) Identify the drivers of change and the gender dynamics in order to achieve the project/programme adaptation or mitigation goals;
 - (iii) Identify and design the specific gender elements to be included in the project/programme activities;
 - (iv) Estimate the implementation budgets;
 - (v) Select output, outcome and impact indicators; and
 - (vi) Design project/programme implementation and monitoring institutional arrangements;
- (b) Gender equitable stakeholders' consultations with the gender parameters provided in the policy;
- (c) Inclusion of gender perspective in the application of the mandatory project/programme social and environmental safeguards in line with project/programme-specific requirements of the Fund's ESS standards; and
- (d) Project screening for gender sensitivity at the various stages of the project preparation, appraisal, approval, and monitoring process.

10.2.3. Capacity-building

Gender training will be provided for the Board, the management and the staff in order to build up the Fund's gender sensitivity. For this purpose, the Fund will employ qualified consultants.

Beneficiaries receiving Fund support may request and receive from the Fund gender training and capacity-building.

10.2.4. Outputs, outcomes and impact indicators for monitoring and reporting purposes

Gender sensitivity is included in the Fund's project cycle management policy for both adaptation and mitigation.

To monitor the Gender Policy implementation, two specific indicators shall be used:

(a) For quality at entry: The percentage of adaptation and mitigation projects that include specific gender elements and gender-sensitive implementation arrangements; and

(b) A portfolio classification system, which consists of a project rating at entry for gender sensitivity¹⁶. Such a system will allow for an overall analysis of the portfolio from a gender perspective, an assessment of effectiveness and, eventually, corrective action to be taken.

10.2.5. Knowledge generation and communications

As a learning institution, the Fund will document the experience and knowledge that it will acquire from the implementation of its Gender Policy and Action Plan. It will also seek to identify good practices from other countries and institutions and tap into the considerable knowledge already available on gender and climate mitigation and adaptation programmes and projects implemented by international organizations. The Fund will support knowledge exchange activities on gender and climate change finance.

Communicating the Fund's commitment to gender equality, its gender sensitivity policy and its implementation guidance will be a strategic communications activity and an integral part of the Fund's communications policy. It will be important to communicate to the public not only how the Fund is implementing its Gender Policy, but also to seek periodic feedback from stakeholders and partners on the implementation of the Policy and on possible improvements in the Action Plan.

The initial duration of the Gender Action Plan is three years so as to allow the Fund to implement these activities and then assess the implementation after this three-year period and develop a new or updated Gender Action Plan.

¹⁶ It involves giving a rating to projects on a scale from those with a significant gender focus to those with a marginal gender focus (e.g. just the safeguards) or with no gender element at all. The Fund shall initially apply the Organization for Economic Co-operation and Development's gender equality policy intention marker.

11. Information and Communication Technology

The Fund relies on effective and efficient Information and Communication Technology (ICT) services that enable its operations and support its business processes and objectives. The Fund will therefore establish quality ICT services that deliver best value for the Fund. ICT services shall be closely aligned with the organizational and substantive priorities of the Fund. The Fund will apply the following guiding principles when selecting ICT solutions and services:

- Business drives ICT. Any decision about ICT investments will be based on defined business requirements or mandates;
- Buy and customize before building: Where requirements do not restrict it, preference will be given to off-the-shelf or already implemented and customizable ICT solutions and services;
- Outsource managed solutions and services: Preference will be given to outsourced managed solutions and services, where feasible, secure and in the interest of the Fund;
- Data is accessible: Selected ICT solutions and services will ensure that data is accessible to the Fund's staff, partners and clients from their different geographic locations;
- Data is secure: Selected ICT solutions and services will ensure that classified data is protected from unauthorized use and disclosure; and
- Green ICT: Greenness of an ICT solution and service will be a main selection criterion.

In order to reach high levels of scalability, flexibility and efficiency, the Fund will aim to minimize the build-up of internal ICT technical personnel in favour of professionally managed outsourced ICT services with clear and robust service-level agreements.

12. Management of Endowment Capital and Uncommitted Fund Assets

12.1. Applicability

The CCTF shall invest its assets according to the Investment Policy included in the section below in the following cases only:

- In case the CCTF receives Board approved endowment funds from third parties to be invested such that returns from investment are used to support projects and investments related to biodiversity protection and the management of protected areas in the Virgin Islands (referred to as “case 1”).
- In case the Board determines that the CCTF has financial assets that under no circumstances (e.g., according to its adopted spending strategy) can be committed for supporting projects and programmes for at least 12 months (referred to as “case 2”). Note that in line with the purpose of the Fund, the Board should avoid whenever and however possible the occurrence of uncommitted assets and strive to allocate resources received as soon as possible to qualifying/worthy projects and programmes that are compatible with the Fund’s Spending Strategy and Annual Work/Operational Plan (see sections 2 and 3 of the OM).

In order to accommodate specific requirements of providers of endowment capital (case 1), the Board, upon proposal of the CEO, can decide to change certain aspects of the Investment Policy included in the section below.

12.2. CCTF Investment Policy, Objectives and Guidelines

12.2.1. Scope of Investment Policy

This Investment Policy reflects the policy, objectives, and limitations for the investment of the assets of the CCTF (hereafter referred to as the “Fund”).

12.2.2. Purpose of this Investment Policy

This Investment Policy is approved and adopted by the Board of Directors of the CCTF in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Fund’s assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage the Fund’s assets according to prudent standards.
6. Establish the relevant investment horizon for which the Fund’s assets will be managed.

The purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

12.2.3. Delegation of Authority

The CCTF Board is a fiduciary, and is responsible for directing and monitoring the management of the Fund's assets. As such, the Board of Directors is authorized to delegate certain responsibilities to professional external experts in various fields. These should be sourced using the Fund's Procurement Manual, not be considered Fund staff, and include, but are not limited to:

1. Investment Management Consultant The Board may direct the CCTF Secretariat to hire an investment management consultant who shall assist the Board in: establishing and reviewing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time and measuring and evaluating investment performance.
2. Investment Managers. The Board may direct the CCTF Secretariat to select and hire, or may authorize an investment management consultant to select on its behalf, investment managers. Each investment manager has discretion to purchase, sell, or hold specific securities that will be used to meet the Fund's investment objectives. Investment managers will be contracted for investment of portions of the Fund's assets in their specialized area of expertise. Investment managers in each asset category are expected to adhere to that category of investment, and each manager's performance will be compared to relevant benchmarks.
3. Custodian. The Board may direct the CCTF Secretariat to hire, or authorize the investment consultant or investment managers to hire, a custodian who will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund's accounts.
4. The Board may direct the CCTF Secretariat to hire additional specialists such as tax attorneys, auditors and others to assist the Board in meeting its responsibilities and obligations to administer the Fund's assets prudently.

All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

Neither the Board nor the CCTF Secretariat will reserve any control over investment decisions, with the exception of specific limitations described in the present Statement of Investment Policy, Objectives and Guidelines, or otherwise communicated by the Board in writing to the Investment Management Consultant or Investment Managers. The Investment Management Consultant and Individual Investment Managers will be held responsible and accountable to make every effort to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each manager should request modifications that they deem appropriate.

12.2.4. Definitions

1. "Fund", or, "CCTF", shall mean the Virgin Islands Climate Change Trust Fund.
2. "Donors" shall mean providers of capital subject to investment of the present Statement of Investment Policy, Objectives and Guidelines.
3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over Fund management or any authority or control over management, disposition or administration of the Fund's assets.

4. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
5. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investment of all, or a portion of the Fund's assets.
6. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. For "case 1" investments as per section 12.1 of the present Operational Manual, the immediate investment horizon for the Fund is 10 years, with a long-term horizon of perpetuity. For "case 2" investments as per section 12.1 of the present Operational Manual, the immediate investment horizon for the Fund is 1 year, with no long-term horizon of perpetuity.
7. "Qualifying countries" shall mean any of the following countries: Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom or United States of America.
8. "Securities" shall refer to the investment securities that are defined as acceptable in this statement.
9. "Board " shall refer to the Board of Directors of the Virgin Islands Climate Change Trust Fund.

12.2.5. Assignment of Responsibility

Responsibility of the Board

The Board is charged with the responsibility for the management of the assets of the CCTF. The Board shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. The specific responsibilities of the Board relating to the investment of the Fund's assets include:

1. Establishing reasonable and consistent investment objectives, policies and guidelines, which will direct the investment of the assets of the Fund subject to investment as per section 12.1 of the present Operational Manual. These are identified in this document.
2. Evaluating the Fund's financial needs and communicating those needs to the Investment Consultant on a timely basis.
3. Adhering to all applicable laws and regulations.
4. Prudently and diligently selecting qualified investment professionals, including investment consultants, managers and custodians.
5. Regularly evaluating the performance of the investments to assure adherence to policy guidelines and monitor progress in achieving investment objectives.
6. Developing and enacting proper control procedures with the investment consultant; i.e. replacing investment managers due to fundamental change in the investment management process,

deleterious change in personnel at the investment management firms or failure to comply with established guidelines.

Responsibility of the Investment Management Consultant

Investment advice provided to the Board and concerning the investment management of Fund's assets as per section 12.1 of the present Operational Manual, may be offered by an Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of an Investment Consultant include:

1. The development and periodic review of investment policy.
2. Conducting investment manager reviews at least annually and new manager searches when requested by the Board.
3. Providing "Due Diligence", or research, on Investment Manager(s) including a peer manager review performed on an ongoing basis, no less than annually.
4. Monitoring the performance of the Investment Manager(s) to provide the Board with the ability to determine the progress toward the investment objectives.
5. Communicating matters of policy, manager research, and manager performance to the Board.
6. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board.
7. Attending an annual meeting of the Board to review past year progress and discuss issues relevant to the investment management and spending of the Fund.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its direct management, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process of the Fund's investment management.
4. Informing the Board (either directly or through the Investment Consultant) regarding any qualitative change to investment management organization: examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Executing instructions on voting of stock proxies, as indicated by the Board, through the Investment Consultant or by direct communication with the individual asset managers, on behalf of the Fund. Also, communicating such voting records to the Board on a timely basis.

12.2.6. General Investment Principles

1. Investments shall be made solely in the interest of the Fund.

2. The Fund's assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man/woman acting in like capacity and familiar with such matters would use in the investment of a Fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to diversify.
4. The Board, through its Investment Managers or Investment Consultant, will employ this strategy to attain the Fund's objectives.
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

12.2.7. Investment Management Policy

1. Preservation of Purchasing Power - Consistent with their respective investment styles and philosophies, investment managers and investment consultants should make reasonable efforts to preserve the Fund's capital, understanding that losses may occur in individual securities and that accounts in more volatile asset classes will fluctuate in value. Preservation of capital for this purpose means preserving principal plus achieving growth in excess of the rate of inflation.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, investment managers and investment consultants employed by the Fund are to make reasonable efforts to control risk, and will be evaluated regularly by the Board to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated for adherence to those investment styles.

12.2.8. Goal of the Fund

The Board believes that the Fund's Endowment as per "case 1" in section 12.1 of the present Operational Manual, is intended to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the long-term objective of the Fund is to maintain the endowment's purchasing power, and when possible to increase the endowment's capital in excess of inflation. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the endowment's investment horizon. Therefore, expectations may be expressed by the following equation for "case 1" in section 12.1 of the present Operational Manual:

$$\text{Increase in Purchasing Power} = (\text{Total Investment Return} + \text{Contributions Received}) - (\text{Spending} + \text{Fund Expenses} + \text{Inflation})$$

Performance will be benchmarked against relevant index measures to provide a comparative framework. The primary goal is positive absolute return in order to fulfil the purposes of the Fund, cover the Fund's expenses, and compensate for long-term inflation.

With regard to “case 2” in section 12.1 of the present Operational Manual, the goal is positive absolute return, after covering the Fund’s expenses and compensating for inflation in the given investment period.

12.2.9. Disbursement Policy

In “case 1” as defined in section 12.1 of the present Operational Manual, the Board will set disbursement of up to 5% of the previous three years’ average portfolio value determined at the end of each fiscal year minus gifts received. The Spending equation can be expressed as:

Annual Disbursement (i.e., Withdrawals from the CCTF’s Assets): Expenses minus Donations Received

And

Increase in Purchasing Power of the Fund = Total Investment Return minus Withdrawals minus Inflation

In “case 2” as defined in section 12.1 of the present Operational Manual, above disbursement policy does not apply. As soon as assets provided for investment can be allocated to Fund projects and programmes and by decision of Board, these assets shall be returned to the Fund accounts and allocated to Fund projects and programmes, in line with the Fund’s Spending Strategy included in section 2 of the present Operational Manual.

12.2.10. Investment Objectives

In order to meet its needs, the investment strategy of the CCTF is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

The primary objective in the investment management of the Fund’s assets shall be:

To Provide Current Income – a quarterly (“case 1” as defined in section 12.1 of the present OM), or, full (“case 1” as defined in section 12.1 of the present OM) draw will be made from the portfolio to finance the spending needs of the CCTF as defined by the Board.

The secondary objective in the investment management of Fund’s assets shall be:

Preservation of Purchasing Power After Spending - to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of the Fund’s assets. Risk control is an important element in the investment of the Fund’s assets.

12.2.11. Specific Investment Goals

Over the investment horizon established in this statement, the goal of investing the Fund’s aggregate assets is to meet or exceed the following return net of investment fees and expenses:

- An absolute rate of return of 7%, using a three-year rolling average (“case 1” as defined in section 12.1 of the present OM).
- An absolute rate of return of 2% over the given investment horizon (“case 2” as defined in section 12.1 of the present OM).

The investment goals above is the objective of the aggregate Fund, and is not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index or blended market index agreed upon by the Board that most closely corresponds to the investment manager's style of investment management.
2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

12.2.12. Definition of Risk

The Board realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the CCTF's assets understands how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy.

The Board defines risk primarily as:

Not maintaining purchasing power over the Fund's investment time horizon. Purchasing power is defined as value of principal adjusted for US dollar-denominated inflation.

The Board defines risk secondarily as:

Unacceptable fluctuation in the value of Fund's assets during a one-year period. This is defined as an 8% down or 20% up change in value over a one-year time horizon. Either limit, if exceeded, will indicate that the portfolio is subject to excessive volatility risk. When the measure is triggered it will require a complete review of investment strategy with the investment consultant and/or investment managers. Some level of corrective action is required to prevent further out of limits volatility.

12.2.13. Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board will periodically provide the investment consultant or investment manager with an estimate of expected net cash flow. The Board will notify the investment consultant or investment manager in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Board requires that a minimum of 1% of Fund's assets provided for investment shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury Bills.

12.2.14. Marketability of Assets

The Board requires that 90% or more of Fund's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

12.2.15. Investment Guidelines

In "case 1" as defined in section 12.1 of the present OM, allowable Asset Classes include the following financial instruments issued by Governments or private sector financial institutions of Qualifying Countries:

1. Cash Equivalents allowed:

- Government Treasury Bills
- Money Market Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities allowed include the following:

- Fixed Income Securities rated B or higher by Moody's or Standard & Poor's
- Corporate Notes and Bonds and Preferred Stock of companies rated B+++ or higher by Moody's or Standard & Poor's

3. Equity Securities allowed include the following:

- Stocks of Companies rated B or higher by Moody's or Standard & Poor's (Ordinary Shares)
- Convertible Notes and Bonds and Convertible Preferred Stock of companies rated B or higher by Moody's or Standard & Poor's

4. Mutual Funds allowed include the following:

- Open-end Mutual Funds that invest in securities as allowed in this statement.
- Closed-end Mutual Funds that invest in securities as allowed in this statement.

5. Alternative Investments allowed include the following:

- Guaranteed Investment Contracts (GICs)
- Managed Commodities and Futures Mutual Funds, excluding agricultural commodities
- Highly diversified Real Estate Investment Mutual Funds

In "case 2" as defined in section 12.1 of the present OM, allowable Asset Classes include the following financial instruments issued by Governments or private sector financial institutions of Qualifying Countries:

1. Cash Equivalents allowed:

- Government Treasury Bills
- Money Market Funds

2. Fixed Income Securities allowed include the following:

- Fixed Income Securities rated B or higher by Moody's or Standard & Poor's

- Corporate Notes and Bonds and Preferred Stock of companies rated B+++ or higher by Moody's or Standard & Poor's

Prohibited Asset Classes

In both, "case 1" and "case 2" as defined in section 12.1 of the present OM, prohibited investments include, but are not limited to the following:

1. Derivative Securities (defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities)
2. Hedge Funds
3. Commodities and Futures Contracts
4. Private Placements
5. Options
6. Private, Non-registered Limited Partnerships
7. Venture-Capital Investments

Social and Environmental Screening

Companies and industry categories may be excluded from investment due to social or environmental screening preferences. The Board may instruct the Investment Consultant or Investment Managers to impose screening on the management of assets including the exclusion of investment due to social and environmental preferences. This is to be done on a "best efforts" basis. Any such requirements will be agreed upon by the Board and conveyed in writing to the Investment Consultant or Investment Managers, who will be responsible for assuring compliance for all investments made by investment managers on behalf of the CCTF.

Asset Allocation Guidelines

In "case 1" as defined in section 12.1 of the present OM, investment management of the assets of the CCTF shall be in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum	Preferred
Equities	10%	50%	40%
Fixed Income	40%	80%	55%
Alternative Investments	0%	10%	5%
Cash and Equivalents	0%	5%	0%

In "case 2" as defined in section 12.1 of the present OM, investment management of the assets of the CCTF shall be in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum	Preferred
Fixed Income	90%	100%	95%
Cash and Equivalents	0%	10%	5%

The Board may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Board regarding specific objectives and guidelines.

In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Board will instruct the Investment Consultant or Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible.

Diversification for Investment Managers

It is not necessary that securities held in the Fund represent a cross section of the world economy. However, in order to achieve a prudent level of portfolio diversification, the equity securities of any one company should not exceed 3% of the Fund's total assets, and no more than 20% of the Fund's total assets should be invested in any one industry. Individual government-issued securities may represent up to 5% of the Fund's total assets.

Currency Exposure Management

The Fund's Board or CEO will carefully monitor the exposure of the Fund to different currencies. The value of the Fund's assets will be reported to the Board in U.S. dollars. The Fund's Directors may decide to diversify exposure to different currencies in order to protect the value of the Fund's assets, with the objective of maintaining global purchasing power. No more than 5% of the value of the Total Fund should be invested in investments denominated in a currency of any one developing country economy, and no more than 20% in the aggregate. In general, exposure should be over 80% in the currencies of Qualifying countries.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Fund's assets may be invested only in investment grade bonds rated B (or equivalent) or better. High-Yield Bond and Convertible Bond Investments up to 5% of portfolio value are exempt from this requirement and allowable but must be managed by a well-established firm with a high degree of capability in credit analysis and invested in a portfolio with a record of competent credit management.
2. Fixed income maturity restrictions are as follows for "case 1" investments as defined in section 12.1 of the present OM:
 - Maximum maturity for any single security is 10 years.
 - Weighted average portfolio maturity may not exceed 5 years.
3. For "case 2 investments, the fixed income maturity shall not exceed the defined investment horizon, i.e. 1 year.
4. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

12.2.16. Selection of Investment Managers

The Board's selection of Investment Consultants and Investment Managers must be based on prudent due diligence procedures. A qualifying investment manager must be a bank or insurance company, or in the United States, a registered investment advisor under the Investment Advisors Act of 1940.

12.2.17. Investment Manager Performance Review and Evaluation

Performance reports generated by the Investment Consultant or Investment Managers shall be compiled quarterly and communicated to the Board for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement.

For “case 1” investments as defined in section 12.1 of the present OM, the Board intends to evaluate the portfolio(s) over at least a three-year period.

For both, “case 1” and “case 2” investments as defined in section 12.1 of the present OM, the Board reserves the right to terminate a contract with an Investment Consultant or Investment Managers for any reason including the following:

1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization. Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

12.2.18. Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this framework statement of investment policy, the Board shall review the CCTF’s Investment Policy at least annually.

Annex 1: ESS form for PIF

In line with the Fund's ESS policy and procedures detailed in section 5 of the present Operational Manual (see section 5.2.3 in particular), the Fund shall use the following ESS project pre-appraisal form as part of PIF appraisal:

Screening Checklist Tool:

Performance Standards	Risk Indicator	Potential/recommended Mitigation Measures	Post mitigation impact rating (1-7)	Information/ Reference Sources
Environmental Assessment	Impact on terrestrial and aquatic (including marine) ecosystems, species, habitats and functions			
	Impact on landscape and soil			
	Grantees understanding of legislative responsibility			
	Current level of compliance with environmental legislation by proponent			
	Allocation of responsibility for environmental management			
	Proponent's/beneficiaries' level of awareness of climate change mitigation and adaptation, in the context of proposal			
	Existence of a viable EMS and other sustainability mechanisms			
	Financial resources allocated to environmental management			
	Environmental capacity building needed and built into project (specify if applicable)			
	Sustainable use of natural resources			
	Equity of resources use			
	Other relevant criteria for this proposal (please specify)			
Labour and working conditions of workers	Fair treatment, non-discrimination and equal opportunity of workers			
	Maintain and improve the worker-management relationship			
	Protect workers, including vulnerable categories of workers such as migrant workers, workers engaged by third parties, and workers in the client's supply chain			
	Knowledge of international and national labour practices			
	Occupational health measures integrated into the work environment			
	Conducive operational framework that promotes workers well being			
	Decent work principles (forced and child labour, social security, freedom of association, etc.)			
	Working hours and living conditions in commensurate with adopted labour regulations			
	Other relevant criteria for this proposal (please specify)			
Measure resource efficiency and pollution prevention	Efficiency of water use			
	Efficiency of land use			
	Efficiency of energy use			
	Air quality: regulated pollutants i.e. Sulphur dioxide (SO ₂); Nitrogen dioxide (NO ₂); Particulate matter (PM ₁₀); Ozone (O ₃); Benzene (C ₆ H ₆); Lead (Pb) and Carbon monoxide (CO)			
	Air quality: GHG (CO ₂ , etc.)			
	Air quality: noise and dust			
	Water quality: effluent/pollutants to affect surface and coastal water			
	Waste: Generation of hazardous waste			
	Disposal of hazardous waste			
	Generation of non-hazardous waste			
	Other relevant criteria for this proposal (please specify)			

	specify)			
Community health, safety and security	Safeguarding of personnel and property			
	Relevant human rights principles			
	Equitable access and use of natural resource			
	Maintenance of ecosystem services and goods			
	Environmental health standards (pollution, degradation, etc.)			
	Strengthening of community integration			
	Ethnic and racial considerations			
	Corporate Social Responsibility			
	General public safety measures			
	Other relevant criteria for this proposal (please specify)			
Avoid or minimise harm caused by land acquisition and involuntary resettlement	Displacement of communities			
	Forced eviction			
	Social and economic impacts from land acquisition			
	Compensation for loss of assets at replacement cost			
	Disclosure of information, consultation, and the informed participation of those affected			
	Livelihoods and standards of living of displaced persons			
	Living conditions among physically displaced persons			
	Housing with security of tenure at resettlement site.			
Maintain biodiversity conservation and sustainable management of living natural resources	Other relevant criteria for this proposal (please specify)			
	Protect and conserve biodiversity			
	Maintain the benefits from ecosystem services			
	Sustainable management of living natural resources			
	Integration of conservation needs and development priorities			
	Cultural services obtained from ecosystems			
	Critical biodiversity habitats and high value ecosystems			
	Invasive alien species			
	Knowledge of national policies on biodiversity conservation			
	Other relevant criteria for this proposal (please specify)			
Secure the rights indigenous peoples	Respect for the human rights, dignity, aspirations, culture			
	Natural resource-based livelihoods of Indigenous Peoples			
	Impacts of projects on communities of Indigenous Peoples			
	Sustainable development benefits and opportunities for Indigenous Peoples			
	Consultation and Participation with the Indigenous Peoples			
	Free, Prior, and Informed Consent (FPIC) of the Affected Communities of Indigenous Peoples			
	Other relevant criteria for this proposal (please specify)			
Protect cultural heritage	Equitable sharing of benefits from the use of cultural heritage			
	Respect and preserve the culture, knowledge, and practices			
	Impact on culturally/historically significant resources and landscapes			
	Impact on community access to natural resources			
	Community engagement in natural resource and heritage impacts			
	Other relevant criteria for this proposal (please specify)			

Scoring guide:

Overall Indicator Impact rating	Impact Rating Point
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High Positive	3.0
Medium Positive	2.0
Low Positive	1.0
Insignificant or neutral	0.0
Low Negative	-1.0
Medium Negative	-2.0
High Negative	-3.0

Note that above criteria may be changed and further developed as the Fund builds its operational experience. Note that the above ESS Screening tool does not necessarily directly feed into project appraisal detailed in section 4.2 of the present Operational Manual. Depending on the projects to be sourced in a call or specific spending priorities, the Fund may decide to use individual criteria or a group of criteria in appraisal.

Annex 2: ESS form for PAF

In line with the Fund's ESS policy and procedures detailed in section 5 of the present Operational Manual (see section 5.2.3 in particular), the Fund shall use the following ESS appraisal form as part of PAF appraisal:

Fund ESS APPRAISAL		
Key Project Data		
Project Code:		
Project Title:		
Project Categorization (adaptation or mitigation, plus sub-category as per Fund Spending Strategy):		
Proposed total project cost:		
Proposed CCTF contribution to total project cost:		
Part 1: ENVIRONMENT CATEGORIZATION		
A. Instructions (i) The ESS Manager completes and submits the form to the CCTF Deputy CEO (Operations) to check completeness before submission to the CEO/Review Committee/Board. (ii) The classification of a project is a continuing process. If there is a change in the project components or/and site that may result in category change, the ESS Manager submits a new form and requests for re-categorization.		
B. Environmental impacts and risks of the proposed project <i>(Provide summary information on environmental impacts and risks related to proposed project activities. Please attach additional information as necessary).</i>		
Categorization of environmental impacts and risks:		
☐ Category A	☐ Category B	☐ Category C
C. Basis for Categorization/ Re-categorization (pls. attach documents): [] Project Proposal / Project Application Form [] Environmental and Social Impact Assessment [] Feasibility Study [] Other (e.g. relevant adopted legislation, etc.): _____		
D. Comments		
ESS Officer Comments	Deputy CEO (Operations) Comments	
Part 2: INDIGENOUS PEOPLE IMPACT CATEGORIZATION		

E. Instructions

(i) The ESS Manager completes and submits the form to the CCTF Deputy CEO (Operations) to check completeness before submission to the CEO/Review Committee/Board.

(ii) The classification of a project is a continuing process. If there is a change in the project components or/and site that may result in category change, the ESS Manager submits a new form and requests for recategorization.

(iii) The ESS specialist indicates if the project requires broad community support of Indigenous Peoples communities. Such support is required when project activities involve (a) commercial development of the cultural resources and knowledge of indigenous peoples, (b) physical displacement from traditional or customary lands; and (c) commercial development of natural resources within customary lands under use that would impact the livelihoods or the cultural, ceremonial, or spiritual use that define the identity and community of indigenous peoples.

(iv) In addition, the ESS specialist may propose in the comments section that the project is highly complex and sensitive which is subject for classification as a category A project which is highly risky or involves serious potential social and/or environmental impacts.

F. Indigenous people impacts and risks of the proposed project

(Provide summary information on indigenous people impacts and risks related to proposed project activities. Please attach additional information as necessary).

Categorization of indigenous people impacts and risks:

☐ Category A

☐ Category B

☐ Category C

G. Project requires broad community support of affected Indigenous Peoples communities.

☐ Yes

☐ No

H. Basis for Categorization/ Re-categorization (pls. attach documents):

[] Project Proposal / Project Application Form

[] Environmental and Social Impact Assessment

[] Feasibility Study

[] Other (e.g. relevant adopted legislation, etc.): _____

I. Comments

ESS Officer Comments

Deputy CEO (Operations) Comments

Part 3: INVOLUNTARY RESETTLEMENT IMPACT CATEGORIZATION

J. Instructions

(i) The ESS Manager completes and submits the form to the CCTF Deputy CEO (Operations) to check completeness before submission to the CEO/Review Committee/Board.

(ii) The classification of a project is a continuing process. If there is a change in the project components or/and site that may result in category change, the ESS Manager submits a new form and requests for re-categorization.

K. Impacts and risks of the proposed project with regard to involuntary resettlement

(Provide summary information on involuntary resettlement impacts and risks related to proposed project activities. Please attach additional information as necessary).

Categorization of involuntary resettlement impacts and risks:

☐ Category A

☐ Category B

☐ Category C

L. Basis for Categorization/ Re-categorization (pls. attach documents):

[]

Project Proposal / Project Application Form

[]

Environmental and Social Impact Assessment

[]

Feasibility Study

[]

Other (e.g. relevant adopted legislation, etc.): _____

M. Comments

ESS Officer Comments

Deputy CEO (Operations) Comments

Part 4: Pre-approval (final approval through Board decision)		
Proposed ESS measures to be implemented for the proposed project <i>(list any ESS measures the project proponent shall undertake)</i>		
Categorization of overall impacts and risks <i>(choose A if Category A was ticked in any of the sections B, F or K; choose B, if no Category A was ticked in sections B, F or K but at least one Category B was ticked; choose C if no Category A or B was ticked in section B, F or K):</i>		
☐ Category A	☐ Category B	☐ Category C
Proposed by:		Acknowledged by:
CCTF ESS Officer, Date:		Deputy CEO Operations Date:

