

Rebuild Facility Comments on the Safeguards Policy of the International Climate Initiative (IKI)

08 February 2022

The safeguards policy is generally well-structured and clear. The reference to the UN Guiding Principles on Business and Human Rights for differentiation of requirements is useful. The policy could be improved by providing further clarity in the following areas:

- Greater clarity with respect to the requirements for financial intermediaries. In particular, the policy could be improved by providing further clarity on which safeguards measures should be planned and executed down to the sub-project level. The policy states that financial intermediaries in receipt of BMU funding must “take due account of environmental and social risks and ensure that relevant safeguards measures are planned and executed down to the sub-project level”. However, it does not specifically state which of the measures outlined in section 4.1 should be implemented, nor does it make clear the basis for decision-making on which measures should be implemented for individual sub-projects. During the seminar on 17th January 2022, it was made clear that these measures are to be agreed on a case-by-case basis with the relevant IKI stakeholder(s) and on the basis of the risk profile of individual sub-projects. The policy could be improved by specifying this decision-making process within the policy itself.
- Providing more detail on the mechanism for public reporting of complaints / concerns with respect to safeguarding, and the expectations of partners to ensure that project stakeholders are aware of the reporting mechanism. Currently, the section on complaints mechanisms is the briefest section in the policy. It refers to an Independent Complaints Mechanism Policy that is not linked. It could be substantially improved by specifying requirements for IKI partners to ensure that project stakeholders are aware of the reporting mechanism, and to establish appropriate reporting mechanisms at the local level where reporting through the established mechanism may present a barrier to the ability of stakeholders to report concerns. Without these steps, negative impacts may occur without the knowledge of IKI or delivery partners because local stakeholders are not aware of reporting mechanisms or are not able to use them due to language / logistical constraints e.g access to internet.
- The policy sets out procedures to be implemented where risks fall under risk category A. However, under section 7.2 the policy indicates that occurrence of risks under risk category A would mean continuation of the project would be unjustifiable from a safeguards perspective. It indicates category A risks would include major human rights abuses and massive and irreversible environmental damage, which the reviewers understand to be risks that would not fall within the IKI risk appetite.

This all implies that inclusion of category A risks means that the project is not viable for receipt of IKI funding. If this is the case, then inclusion of procedures for Category A risks may not be necessary since the majority of risks on IKI funded projects would fall under Category B or below. The Policy should be clear on whether Category A risks fall outside of the IKI risk appetite and, if so, consider adjusting the wording around requirements for Category A since projects since they would be very unlikely to receive IKI funding. The current wording creates some confusion as to whether Category A risks fall within or outside the IKI risk appetite.

- The policy uses the terms “Risk” and “Impact” interchangeably throughout the document, without clearly defining the specific meaning of each term. In risk management approaches with which the reviewers are familiar, “impact” is part of how risks are understood, rather than being a separate concept (e.g assessment of risks through their likelihood and impact). The policy could be improved by being clearer on the definition and use of these two terms. The policy also uses the term FPIC without definition or reference, so this should be added to the definitions.

Comments on specific areas that require clarification are below:

- Section 1.4 states that *“IFC Performance Standard 1 Assessment and Management of Environmental and Social Risks and Impacts is not binding for all projects.”* This could be improved by providing specific criteria for deciding which projects need to include IFC Performance Standard 1.
- Section 3.1 Risk Categories: the risk category definitions for financial intermediaries includes language around “potential” impact, whereas the definitions for the standard projects does not refer to potential impact. The policy could be improved by making the language across both consistent, and/or clarifying where a specific distinction is intended across the two categories.
- Section 3.2 states that *“risk analysis should cover direct, indirect, transboundary and cumulative risks and impacts”*. This could be improved by providing a definition for transboundary and cumulative risks. Direct and indirect risks are defined in the policy.
- Section 3.3 provides a definition of indirect risks that is not understood by the reviewers. It is not clear how these risks are related to the initiative if they are not directly supported with IKI funding, and neither the BMU nor implementing organisations have any appreciable control over these activities. This part of the policy could be improved by providing a clearer definition of this risk category with more detailed examples, and by providing greater clarity on what is meant by “best-endeavours” obligations.
- Section 3.4 *“Changes to the risk category”* states that *“The risk category is not considered final and should be reviewed regularly so that changes in the environmental and social risks can be responded to accordingly. Implementing organisations must inform the BMU and ZUG promptly of any change to the risk*

category.” This could be improved by providing more detailed guidelines requiring an immediate consultation when the project risk worsens creating diverse, unprecedented, and irreversible impact. Other changes in the risk profile with minor/moderate impacts or improvement in the overall risk profile of a project can be tracked by the implementing organisations to report separately.

- Section 5 refers to funding exclusion criteria that are not linked, nor easy to locate on the IKI website. This could be improved by providing a link to the document containing the exclusion criteria.
- Section 6.5 states that “*The implementing organisation is also accountable for compliance with the safeguards standards after the project has ended*”. It is not clear how this should work in practice. For example, if an incident occurs 2 years after the IKI-funded intervention has concluded, is the implementing organisation responsible for management of that incident? The policy should be clearer on what is meant by accountability after project end.

This review was completed by:

Shasi Wagle, Rebuild Facility Grants Manager

Lucas Woodward, Rebuild Facility Project Manager

Lydia Rowland, Rebuild Facility Risk Manager