



GREEN
CLIMATE
FUND

Funding Proposal Annex

Annex 16. Term Sheet (Examples of standard GCF covenants)

[Important Notes]

This document is only relevant for (1) Funded Activity Agreements (FAAs) that incorporate an entity's accreditation master agreement; and (2) Funding Proposals submitted under the project-specific assessment approach (PSAA).

The examples of the standard GCF covenants in this document set out the principles that GCF is looking to cover in the Funded Activity Agreement (FAA). The exact drafting for each of the covenants will be tailored to take into account the circumstances of the Funded Activity. Please note that this is not an exhaustive list of all of the covenants that are to be included in the FAA.

Term Sheet Template
Standard GCF Covenants

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The Accredited Entity shall:

Funded Activity Implementation

- (a) [Select][Ensure that] the [[Sub-Projects] [Sub-Loans] [Investments] [Sub-Grants] [Final Beneficiary(ies)]] [are selected] in accordance with the Eligibility Criteria; and (ii) [ensure that the [Sub-Loans] [Investments] [Sub-Grants] to be financed with the GCF Proceeds comply with the terms and conditions provided in Schedule [XX]];]
- (b) Apply its own fiduciary principles and standards relating to any "know your customer" checks, AML/CFT, financial sanctions imposed by the United Nations Security Council which should enable it to comply with the Policy on Prohibited Practices and the principles of the AML/CFT Policy;¹

Safeguards and Inclusion Provisions

- (c) Ensure that the GCF Proceeds will not support or finance, directly or indirectly, any activities with potential environmental and social risks that are equivalent to category A/I-1² [or B/I-2]³ pursuant to the Environmental and Social Risks Categories to be conducted as part of the Funded Activity;
- (d) Continuously screen and monitor potential environmental and social risks and impacts arising from the Funded Activity and use the screening procedures and processes described in the Accredited Entity's environmental and social management system, for the relevant Funded Activity;⁴
- (e) Undertake and/or put in place all necessary measures and dedicate the necessary financial, human and other resources, as appropriate, to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Funded Activity, as well as the management of its associated environmental, social and SEAH risks and the mainstreaming of gender considerations, complies at all times with the recommendations, requirements and procedures set out in the Safeguards & Inclusion Documents, and are in

¹ To be included in the FAA unless this covenant is already provided in the relevant AMA.

² To be included in the FAA for Category B/I-2 Funded Activities

³ To be included in the FAA for Category C/I-3 Funded Activities.

⁴ To be included in the FAA for Category C/I-3 Funded Activities.

- accordance with good international industry practices and any other applicable standards, taking into consideration health and safety risks to third parties or affected communities;
- (f) Not amend, vary or waive any provision of any Safeguards & Inclusion Document without the prior written approval of the Fund;
 - (g) Obtain, or ensure that all action is taken to obtain, as and when needed, all land and rights to land that are required to carry out the Funded Activity; and promptly furnish to the Fund, upon its request, evidence satisfactory to the Fund that such land and rights are available for the Funded Activity;
 - (h) (i) Notify the Fund promptly upon becoming aware of any accident or incident relating to the Funded Activity which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or its workers, such notification to provide sufficient detail regarding such incident or accident, including any fatalities or serious injuries; and (ii) ensure that immediate measures are taken to satisfactorily address the incident or accident and to prevent any recurrence, in accordance with the Host Country's applicable laws;
 - (i) Prior to the commencement of any activities of the Funded Activity that have potential risks and impacts to indigenous peoples:
 - (i) put in place a social assessment, Indigenous Peoples Plan ("IPP") and any associated management plans required for such activities; and
 - (ii) deliver to the Fund copies of such social assessment, IPP and associated management plans which shall include, if applicable, evidence that free, prior and informed consent from the indigenous communities has been obtained for the purposes of the Funded Activity or the relevant activities;
 - (j) In relation to each Category A/I-1 and/or Category B/I-2 Sub-Project⁵ (pursuant to the Environmental and Social Risk Categories), conduct the necessary due diligence on that Category A/I-1 and/or Category B/I-2 Sub-Project and disclose the [**relevant Safeguards Documents**]⁶ and any other associated information, including those relevant to indigenous peoples, required to be disclosed pursuant to the Fund's Information Disclosure Policy and the Fund's Revised Environmental and Social Policy (each, the "**Sub-Project Disclosure Package**"). The [Accredited Entity] shall disclose the Sub-Project Disclosure Package for a period of at least [one hundred and twenty (120) / thirty (30)] calendar days prior to [the Accredited Entity's/Executing Entity's] approval of the relevant Category [A/I-1 / B/I-2] Sub-Project (the "**Disclosure Period**"), in English and in local language (if not English), on the [Accredited Entity's] website and in locations convenient to the affected peoples, and, not less than seven (7) days prior to the beginning of the Disclosure Period, submit the Sub-Project Disclosure Package to the Fund for subsequent distribution to the GCF Board and the Fund's active observers and for publishing on the GCF website;
 - (k) Not directly or indirectly condone, encourage, or tolerate participation, or engagement in any conduct substantially equivalent to SEAH in the Funded Activity;⁷
 - (l) Undertake and/or put in place all necessary measures, including incorporating relevant provisions into the agreements with Executing Entities, tendering documents and contracts, to ensure that the grievance redress mechanisms established by the [Accredited Entity]/[Executing Entity/ies] for the Funded Activity are, in addition to the requirements set

⁵ As defined in the Term Sheet.

⁶ Insert the relevant Safeguards Document(s).

⁷ To be included in the FAA unless this covenant is already provided in the relevant AMA.

out in clause 13.04 of the AMA, accessible, inclusive, survivor-centred and gender-responsive in the case of SEAH (or similar terms employed by the Accredited Entity that are equivalent to those of the GCF in all material respects);

- (m) Undertake all adequate measures to ensure that none of the activities included in the Exclusion List is funded or otherwise receives, directly or indirectly, any GCF Proceeds under the Funded Activity;

Use of GCF Proceeds

- (n) Ensure that no GCF Proceeds are transferred to any Executing Entity or any other person if (i) a default has occurred and is continuing under the [Subsidiary Agreement(s)/ [insert name of relevant agreements]] or any other relevant agreement between the Accredited Entity or Executing Entity and that person; and/or (ii) if the Accredited Entity is aware that an Executing Entity or such other person is insolvent or is unable to pay its debts as they become due;
- (o) Ensure that all amounts due to the Fund, whether as principal, interest, fees, costs and any other sum payable under the FAA are freely convertible and transferable at all times until full repayment of the GCF Proceeds;⁸
- (p) In case of default, workout, insolvency, dissolution or winding up of a recipient of GCF Proceeds, (i) promptly notify the Fund upon becoming aware; and (ii) take all the appropriate measures in accordance with its own policies and procedures and commercial standards, and in the same manner as with respect to its own Co-financing, which may include the exercise of remedies, to protect the interest of the Fund and seek relevant recovery of GCF Proceeds;
- (q) In case of a change in the [Accredited Entity Account][GCF Account], as previously informed to the Fund, (i) notify the Fund in writing prior to requesting any subsequent disbursement under the FAA and provide the details of the substitute account, in form and substance satisfactory to the Fund, and (ii) transfer all funds in respect of the Funded Activity from the prior account into the substitute account. The substitute account shall be treated in all respects by the Accredited Entity as the [Accredited Entity Account][GCF Account] for the purposes of the FAA;

Co-financing Provisions

- (r) Provide its Co-financing for the complete and uninterrupted execution of the Funded Activity in a timely manner;
- (s) Not assign, sell or transfer any portion of, or participation over, its Co-financing to any third party, unless otherwise agreed by the Fund in writing;

Monitoring; Reporting; Evaluation

- (t) Inform the Fund, in the semi-annual financial reports to be submitted in accordance with the AMA, on the status and amount of the Co-financing that has been disbursed and applied for the implementation of the Funded Activity;
- (u) In case of a change of the authorized signatory(ies) for the Request for Disbursement previously notified to the Fund, deliver evidence, satisfactory to the Fund, of the authority of the person(s) authorized to sign each request for disbursement under the FAA and the relevant specimen signature of each such person(s); and

⁸ Only applicable for instruments with reflows.

- (v) Consistent with the Evaluation Policy:⁹
- (i) Undertake and/or put in place all adequate measures including the capacities and systems to ensure that the Accredited Entity can implement the requirements of the Evaluation Policy;
 - (ii) Maintain high-quality data and information related to the progress and performance of the Funded Activity;
 - (iii) Cooperate with the Fund in carrying out its evaluation functions as may be reasonably requested by the Fund;
 - (iv) Submit to the Fund a management response and action plan to address recommendations from the interim and final evaluations within thirty (30) calendar days of receiving comments from the Secretariat in relation to such interim and final evaluations; and
 - (v) Make publicly available the information relating to Funded Activities required by the Evaluation Policy.

⁹ To be included in the FAA unless this covenant is already provided in the relevant AMA.