GOOD PRACTICE GUIDANCE FOR THE PRELIMINARY ASSESSMENT OF SUSTAINABLE DEVELOPMENT IN ARTICLE 6 ACTIONS

DOC 1.1 SDI_2020 Good Practices Preliminary Assessment Guidance Version 1.1

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1.0 INTRODUCTION AND CONTEXT

Since 2018 the Sustainable Development Initiative (SDI) has developed good practices to create the conditions for sustainable development in Article 6 of the Paris Agreement. These include the key areas that should be considered in the robust design of activities and their subsequent implementation, monitoring, reporting and verification (MRV) for sustainable development.

This document presents these good practices in the form of a simple guidance that may be used to conduct a 'preliminary assessment' of a potential Article 6 activity. While other uses may become apparent, it is primarily aimed at enabling early, desk-based assessments of the potential of the proposed activity to deliver sustainable development benefits. While all activities are contextually different, it is envisaged to be applied at the concept development stage of an activity, before detailed design is in place (i.e. 'ex ante'). This can satisfy buyers/funders of the activities and assist the proponent in identifying further work needed.

The primary users of this approach are various, though most directly the activity proponents and those involved in assessing and agreeing Internationally Transferred Mitigation Outcome (ITMO) agreements. While a robust preliminary assessment does not guarantee subsequent results, it can assist all parties in understanding and establishing the conditions for success.

The process of assessment may also vary, depending on who initiates, who provides and who conducts the review. This guidance does not preclude any possible process, but suggests that the process outline in Section 2.0, below, represents a good practice approach.

The following sustainable development good practices are included in the assessment criteria. Each is covered in a section of the Guidance:

1. Activity governance
2. Safeguards
3. Stakeholder inclusivity
4. Sustainable development impact assessment
5. Transparency

Each of these good practice elements were initially published as policy briefs by SDI in 2018 and are further elaborated in this document.

The document does not intend to replace existing guidance or templates, but rather it draws on existing guidance, tools, templates and good practices to provide a simple assessment approach that could be used in 'Preliminary Review' of Article 6 activities. Users may wish to apply existing tools and methods to various elements of the assessment, though it is recommended that they be considered for their equivalence to the good practices set out in this document.

It should be noted that more detailed and sophisticated assessment approaches are typically applied to design and ex-post performance reporting. The guidance in this document should not be extrapolated for these purposes, though the core good practices apply.

Further suggest reading

- SD Dialogue Policy Briefs:
    - https://www.goldstandard.org/blog-item/sustainable-development-initiative-sdi
- ICAT (Initiative for Climate Action Transparency) (2020). Sustainable Development Methodology: Assessing the Environmental, Social and Economic Impacts of Policies and Actions:
    - https://climateactiontransparency.lemon-solutions.net/wp-content/uploads/2020/08/Sustainable-Development-Assessment-Guide-1.pdf
- Sustainable Development Guidance, Guidance for assessing the environmental, social and economic impacts of policies and actions, March 2020, Assessment template:
    - https://climateactiontransparency.org/resources/sustainable-development-assessment-template/

2.0 ASSESSMENT PROCESS

As noted above, the use of the guidance included in this document may be adapted to suit the needs of the proponent/buyer relationship and the context of the activity itself. The following simple process is therefore provided as a blueprint, building on the experiences and good practices of the SDI partners. It is recommended that users appraise themselves of the process set out and, where adjusting to suit their needs, consider that their approach should be at least equivalent to the rigour envisaged.

Of particular importance is that the assessment includes review by an individual or organisation not part of either the activity proponent, host country government sponsor or buying company or organisation sponsor. While this represents good practice in general terms, it specifically reduces the risk of ignoring key issues or missing opportunities due to proximity to detail or inconvenience of output.

Step 1   Agree principles and approach

- The parties involved agree to apply this guidance for good practices, including any alterations that should be recorded transparently
- A working modality, including for the assessment of evidence is agreed

Step 2   Collation and submission of evidence

- The proponent responds to the indicators in this document plus any further agreed or adjusted in Step 1

Step 3   Assessment and iteration

- An independent expert reviews evidences, shares feedback
- Proponent responds so far as possible with any gaps identified as 'forward action requests'
- Assessor reviews final evidences and creates a brief recommendations report

Step 4   Forward agreement

- The parties identify issues to be improved upon and evidences to be provided in detailed design
- The reporting and agreement is recommended to become part of the formal activity documentation

3.0 GOOD PRACTICE GUIDANCE

The guidance below is presented in 5 short sections that are based on the SDI good practices. Ultimately it is envisaged that more detailed good practice guidance will be developed in each of these areas to enable full design and performance assessments:

1. **Activity governance**: if relevant/feasible, is the activity aligned with national priorities and endorsed by the appropriate authorities? Are SD approaches in line with national and international good practice guidance, peer review methods etc?
2. **Safeguarding Principles and Do No Harm:** are key risks of negative impacts and dis-benefits identified, mitigation approaches considered and a monitoring put in place?
3. **Stakeholder Inclusivity/Consultation:** are local and affected stakeholders engaged during design and implementation and does their feedback materially affect the approach envisaged? Is an ongoing feedback and grievance mechanism put in place? Are consultations gender sensitive?
4. **Sustainable Development impacts in the context of the Sustainable Development Goals (SDGs):** are potential SD impacts identified and appropriate qualitative and quantification and monitoring approaches in place?
5. **Transparency:** are results shared publicly and is an assessment approach considered?

3.1 Activity governance

Although the Article 6 Rulebook is not yet finalised, the governance of an activity and how it relates to host country approvals and possible transparency/MRV requirements is still an important topic. Activity governance requires a description of how the resources will flow to the implementation and the checks and balances in this process. How this will be accounted for, who and what needs to be monitored and reported.

The governance and the institutions involved in the governance structures will also affect the meaningful inclusivity (and hence ownership) as well as impacting on transparency. These three elements of the sustainable development appraisal are therefore intimately related and need to refer to each other. A starting point for presenting governance would be the graphic representation of the institutions, stakeholders and other interested and affected parties. It should typically present flows of information, contractual relationships and reporting. Those providing the functions of monitoring, auditing, validation,

verification, certification and issuance should be identified and the status of their formal engagement in the activities described. The status of contracting of the institutions and the explicit functions would complete the overview of the activity governance functions and responsibilities to comply with Host country SD priorities.

The following indicators are recommended to consider:

Indicator	Example evidence
1.1 All official parties involved are mapped out clearly and roles and responsibilities defined. Where gaps exist (as they may inevitably do at the earliest stages of a project) than typical roles and responsibilities are identified as needing to be filled.	Programme management organogram with descriptions of key roles, responsibilities and legal duties. Gaps are identified clearly.
1.2 Relevant host country approvals are identified and a process is identified to seek their views and conclusion.	A list of relevant legal/regulatory approvals is identified as well as any key reference material, such as SDG prioritisation.
1.3 Proposed approaches for all subsequent good practices are transparently and appropriately governed. For example, safeguards are drawn from good practice sources identified, impact reporting approaches are peer reviewed.	Any tools or approaches to be applied have a clear rationale and credible referencing. If not yet identified then a commitment to apply this indicator is stated.
1.4 A register of key risks is in place and a process for its regular update identified. The content of the register reflects the typical risks associated with the activities envisaged.	A comprehensive activity risk register is in place and is bespoke to the activity (i.e. identifies activity specific issues and is not generic). Recognise that some elements may not be fully populated.

3.2 Safeguards

Safeguarding is the process of identifying potentially negative and harmful outcomes of the intended activity and designing, implementing and carrying out MRV for robust

mitigation measures. The issues that may be relevant will vary between different types of activities and are likely to change over the course of the programme life cycle. For example at design stage the impacts are likely very different to implementation, operation and decommissioning. Hence a robust safeguarding assessment should consider relevant issues as the programme progresses, including regular review and update.

While this could be done bottom up, for example in the form of a programme risk register, this should be informed by international good practices. Good examples may include UNDP or IFC Safeguarding Standards or Gold Standard for the Global Goals, which was designed as an enhancement of UNDP and IFC. A checklist based on the areas included in these standards, augmented by a context specific risk assessment would therefore represent good practice. An example is included below.

The following indicators are recommended to consider:

Indicator	Example evidence
2.1 Safeguarding issues are identified, relevant to the activity type and stage of development.	A list of potential negative effects associated with the activity envisaged is identified. Where appropriate contextual sensitivities are also highlighted.
2.2 Safeguarding issues/potential negative impacts are assessed.	For each identified issue an approximation (ideally quantitative but may be qualitative in some instances) of potential negative effect is in place.
2.3 Mitigation measures are proposed to effectively resolve negative issues to an acceptable level.	For each material risk a mitigation approach is identified (or multiple approaches if further design is needed). Where none is yet agreed then commitment to incorporate is in place.
2.4 Monitoring proposed to ensure safeguards are effective (potentially more appropriately included at detailed design stage)	A robust, comprehensive monitoring plan that includes identification of key measures, frequency, source data and quality management is in place for each mitigation action identified in 2.3.

The following represents an indicative list of potential indicators to consider. It is not exhaustive and care should be taken over issues that are particular to a given activity type or geography. Specific indicators/evidences are not proposed as they will also differ from activity to activity and not all are relevant to all activity types:

1. Respect for internationally proclaimed human rights
2. No discrimination or exclusion from participation
3. Gender based rights protected
4. Gender based violence or risk considered and mitigated
5. Equal pay and equal treatment for work
6. Labour rights, parental leave policies in place
7. Health and safety for targeted communities
8. Health and safety for implementation
9. Sites of cultural heritage and importance identified and protected
10. Equitable sharing of benefits for use of cultural or indigenous knowledge
11. No involuntary relocation of people
12. Resettlement in line with UN principles, where relevant
13. Land tenure, access and other legal rights identified and protected
14. Legal disputes resolved prior to implementation
15. Protections for indigenous communities
16. Anti corruption measures in place
17. No forced labour
18. No child labour
19. Just consideration of economic disbenefits
20. No increase in emissions overall
21. No decrease in access or reliability of energy
22. No impact on water flows
23. Management of impacts in areas of water stress
24. Management of soil erosion
25. No landscape degradation
26. Identification and protection of impacted biodiversity
27. No adverse impact on disaster vulnerability
28. No introduction or enhancement of harmful GMO
29. No release of pollutants or unmanaged waste
30. Use of chemicals., pesticides/herbicides, fertiliser etc minimised and managed
31. Sustainable management of harvested forest
32. No impact on food production, yield, access or availability
33. Animal welfare and animal rights protected

34. HCVs identified and protected

35. Endangered species identified and protected

3.3 Stakeholder Inclusivity/consultation

Inclusivity of relevant stakeholders is a process that can optimize the impacts of a programme and contribute to mitigating of its risks. During all phases of the activity, stakeholders should be able to raise concerns and share feedback.

The following indicators are recommended to consider:

Indicator	Example evidence
3.1 Identification of relevant (local, affected, interested) stakeholders by a competent member of the programme team, be aware of any potential identification bias that they may hold	A comprehensive stakeholder list is in place. It should identify local (i.e. proximal to the activity area), affected (i.e. those that could be impacted by the activity, regardless of proximity) and interested stakeholders (for example industry bodies, NGO observers, government departments)
3.2 Consultation concerning programme design, conducted (or planned to be conducted) inclusive of relevant stakeholders and conducted in a gender sensitive way. It may be required to design a series of consultation events and processes to suit the context, scale and specific needs of the different identified stakeholders.	A consultation design to capture the views of the above groups is in place, at outline stage. It includes a commitment to gender sensitivity and is contextually appropriate for gather effective information.
3.3 Stakeholder input, if captured, should demonstrably influence the design of the programme. A process should otherwise be in place to establish how design changes will be recorded, with rationale.	Depending on the level of design detail, it should be demonstrably feasible to chart how stakeholder feedback influenced the design. If not at that stage then workplans/processes should demonstrate an intent to allow for this input.
3.4 An ongoing stakeholder feedback and grievance mechanism should be intended,	A contextually appropriate feedback mechanism should be in place. If not at

allowing any relevant stakeholder to raise concerns or flag issues to the programme proponent. | that stage, then an outline of how this will be created should be demonstrated.

3.4 Sustainable Development impacts in the context of the Sustainable Development Goals (SDGs)

The SD Policy brief points to the SDG framework with 17 goals and 169 targets set by Member States agreed in the 2030 Agenda for transforming our world to sustainable development (UN, 2015). The UN Statistical Commission is tasked with the development of a monitoring framework and the Inter-Agency Expert Group for the SDGs has developed 232 indicators adopted by the UN General Assembly in 2017.

The SDI Policy brief refers to the various subsections of Article 6 and the SD requirements required under each section of the article. This is presented below.

High-level options and issues differentiated across the three Article 6 articles:

High-Level Option	Art 6.2	Art 6.4	Art 6.8
SD criteria, SDG framework	1. Host Parties decide on criteria/standards/priorities for SD, which are dependent upon national circumstances 2. SD criteria applied by Parties shall be publicly available 1. Agenda 2030 and the Global Sustainable Development Goals (SDGs) can serve as guidance	1. Parties set sustainable development criteria suitable for their national circumstances 2. SD criteria applied by Parties shall be publicly available 3. All Parties should undertake activities and approaches that are in conformity with the Sustainable Development Goals (SDGs)	1. Develop SD tools at international level

At the heart of the Sustainable Development Assessment of activities are the selection of Criteria and Indicators (C&I). The C&I can be aligned with the SDGs or under the

headers of Environment, Economics and Social (sometimes technology is included). With 17 SDG Criteria and numerous indicators possible under each of those, an SD assessment may be extensive. It is also possible to tailor or create new indicators to be more conducive to programme level appraisal and to align with local and national priorities.

To identify indicators the following simple process is suggested:

| Step 1 | Identify key SD benefits |

- Create long list of potential benefits of activity type
- Establish process to refine long list, including through stakeholder consultation and feedback

| Step 2 | Prioritise |

- Create short list of prioritised impacts based on signficance of potential impact and how directly the activity drives them

| Step 3 | Mapping to SDGs |

- Conduct an overlay exercise to map SDG Targets to the short listed priorities
- Note any that do not directly tie into and SDG target and proposed alternative target wording if appropriate. Highlight for transparency

| Step 4 | Review Indicators |

- Review the published SDG indicators and populate list with those that are a direct fit for the prioritised impacts
- For those with no direct fit propose an alternative, measurable indicator that is appropriate to the activity
- Adjust any indicators that are unmeasurable

| Step 5 | Ex-ante: Create MRV plan |

- Create MRV plan that identifies measured unit/metric, data source, monitoring approach and frequency, quality control and a brief rationale

With more experienced proponents it is possible to move directly to Step 3. It may also be possible to consider indicators and MRV approaches that can be used to report on multiple benefits. For example, within many carbon market methodologies there are requirements to conduct monitoring on a range of parameters that when combined can be used to calculate mitigation benefits. These parameters may represent reasonable proxy indicators for other SD benefits. Hence it is suggested that an optional further step may be to compare the output of step 4, above, against other methodological monitoring that is envisaged.

3.5 Transparency

The Enhanced Transparency Framework (ETF) of the Paris Agreement (Article 13, §77d) states that all countries engaged in cooperative approaches under Article 6.2 will have to provide information, on how these approaches promote sustainable development

consistent with decisions adopted for Article 6. The decision was taken 'without prejudice', which means Article 6 rules may go beyond.

Transparency more generally requires the agreement and coordination of all parties involved in a given programme and may not be entirely in the direct control of the proponent. A transparency action plan could be developed for specific programme reporting however, in the absence of final Article 6 rulebook guidance. Further guidance will be provided in due course.

The following indicators are recommended to consider:

Indicator	Example evidence
5.1 Is the activity independently assessed	The activity proponent is committed to independent assessment of the project by an appropriately qualified, accredited assurance provider. Eligible organisations should be identified.
5.2 Are records made transparently available	The activity should be publicly listed and open to scrutiny in appropriate channels. Sensitive and commercial data should be redacted, particularly personal information. If not available at concept stage, a commitment and an outline of method should be in place.
5.3 Seek synergies at national level in data collection for reporting under the ETF, SDGs and other instruments	The policy or action should seek integration of SDG monitoring and data collection with the national MRV system for GHG inventories and NDC tracking of progress, with National Statistical Offices for Voluntary National Reviews (VNRs) under the 20130 agenda and other relevant instruments