

**Finance for Peace**

# **Guidance Notes for Peace Finance Verifiers**

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**A User Guide for Pre-approved Independent Verifiers of  
Peace Bond and Peace Equity Finance Instruments**

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# Introduction to the Guidance Notes for Peace Finance Verifiers

These Guidance Notes seek primarily to support consultants who independently verify two financial instruments: Peace Bonds and Peace Equity funds. Their contribution is essential during the pre-issuance and post-issuance stages of these instruments.

**Pre-issuance verification.** In this stage, a verifier's role is to confirm that the financial instrument complies with pre-issuance criteria set out in the Peace Finance Standard (PFS). Verification confirms that an instrument complies with the standards and guidelines that it must fulfil to be labelled as a Peace Finance instrument.

**Post-issuance verification.** During this stage, the instrument must complete a comprehensive verification process against the full set of criteria outlined in the PFS. Post-issuance verification provides an assurance that an instrument continues to comply with the PFS. Verification is required to maintain certification of the instrument over time.

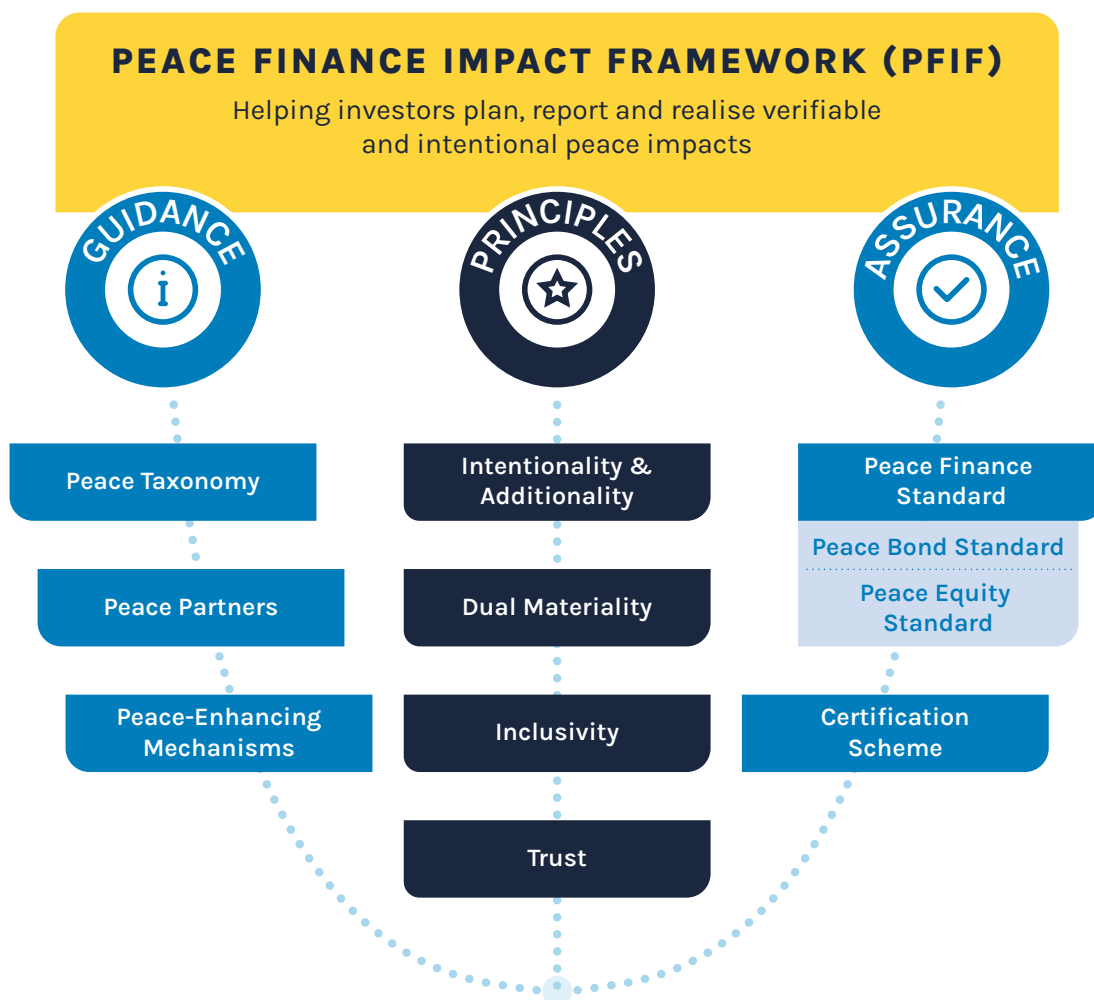
Pre-issuance verification enables a Peace Finance Label to be issued, which signifies that the instrument complies with all required standards at its inception. Post-issuance verification confirms that the instrument continues to comply with these standards, retains integrity as a Peace Finance instrument, and that its certification may be extended.

These Guidance Notes equip verifiers with the knowledge, tools, and methodologies they need to conduct thorough and effective verification processes. By following them, verifiers can ensure that Peace Bonds and Peace Equity instruments are labelled correctly and justifiably, and conform to the standards set out in the Peace Finance Standard.

## **What are the Peace Finance Standard and certification scheme?**

The Peace Finance Standard and its associated certification scheme define international best practices for labelling Peace Bonds and Peace Equity instruments. The PFS sets out the essential minimum requirements that issuers of bonds or equity must meet in order to certify and then manage a Peace Bond or Peace Equity instrument.

**Figure 1. The Peace Finance Impact Framework**



The Peace Finance Standard is an essential component of the Peace Finance Impact Framework (PFIF). It is composed of a Peace Bond Standard and a Peace Equity Standard.

The Peace Bond Standard draws on the Climate Bond Standard and the ICMA Social Bond Principles and Sustainability Guidelines, and has four core components:

- > **Use of proceeds.** It outlines how funds raised will be used, and how they will contribute to peace and stability.
- > **Project evaluation and selection.** It describes criteria and a methodology for selecting projects that align with Peace Finance objectives.
- > **Management of proceeds.** It explains how funds raised are to be managed and allocated in a manner that conforms to an investment’s stated objectives.
- > **Reporting.** It requires transparency and accountability, achieved inter alia by regular reporting on the use of proceeds and impacts achieved.

Separate criteria apply to Peace Bond pre-issuance and post-issuance stages; taken together, they compose the Peace Bond Standard.

The Peace Equity Standard draws on the nine impact principles and five stages of the Operating Principles for Impact Management (OPIM)<sup>1</sup>. These set the foundation of the Peace Equity Standard.

1 Operating Principles for Impact Management (OPIM), <<https://www.impactprinciples.org/>>.

Both the Peace Bond and Peace Equity Standards align with the PFIF’s Peace Taxonomy<sup>2</sup>. This alignment is of critical importance: it supports the design, structuring, and management of Peace Bond and Peace Equity instruments, and helps them to generate positive peace impacts as well as positive financial returns.

Certification under the PFS ensures that a Peace Bond or Peace Equity instrument:

- > Is fully aligned with the Peace Finance Principles and the Peace Taxonomy.
- > Consistently contributes to the achievement of relevant Sustainable Development Goals (SDGs) and supports national development objectives.
- > Adheres to market best practices based on the ICMA Social Bond Principles, the Sustainability Bond Guidelines, and the Impact Principles.

## How does the certification process work?

**Figure 2: Certification process for Peace Bonds and Peace Equity instruments**

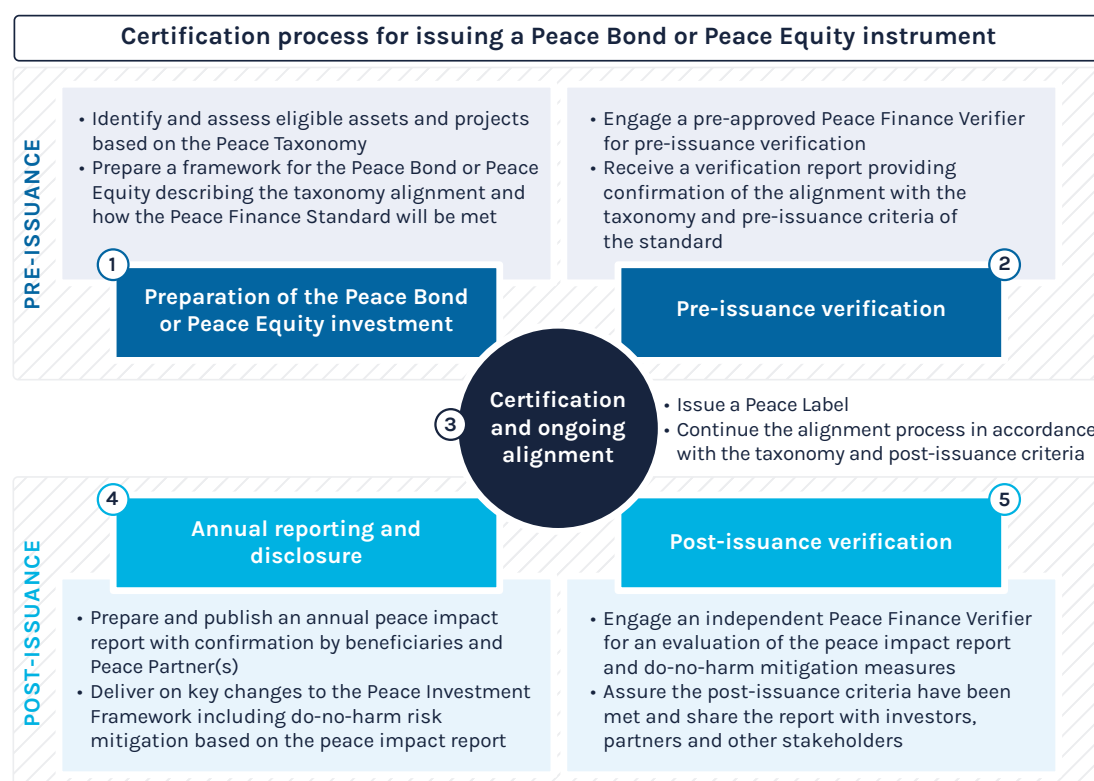


Figure 2 describes the certification process, whose five stages run across the pre-issuance and post-issuance phases of a Peace Bond or Peace Equity investment. The process includes feedback loops between each stage, to ensure there is continuous alignment with the Peace Taxonomy.

Independent Peace Finance Verifiers play a crucial role, particularly during the second and the final stages of the process. In Stage 2, the verifier’s responsibility is to ascertain whether the issuer and its Peace Partners have fulfilled the pre-issuance criteria of the Standard. In Stage 5, the verifier evaluates the performance of the Peace Bond or Peace Equity instrument against the Standard’s post-issuance criteria. Repeated

<sup>2</sup> The Peace Finance Impact Framework, p.19, <<https://www.financeforpeace.org/resources/the-peace-finance-impact-framework/>>.

verification ensures that instruments comply with the Peace Finance Standard fully and throughout.

## What is the purpose of the Standard and certification process?

For investors, the Standard and the certification process are effective screening tools. Investors do not have to rely entirely on their own judgment during due diligence, and can be confident that Peace Bonds or Peace Equity instruments have been labelled justifiably.

For issuers of peace instruments, the process enables them to demonstrate to the market that their bonds or funds are financially viable, include sound plans for achieving peace impacts, respect best practices in impact management, and meet expectations of transparency and accountability.

Ultimately, the certification process highlights and verifies that a given financial instrument is peace-enhancing. It promotes adoption of a conflict-sensitive approach to investment that:

- > Enhances due diligence processes, encourages shared accountability, and promotes systematic and contextualised consultations that focus on the needs and interests of local populations who are affected by the investment in question.
- > Addresses potential conflicts of interest between issuers and investors by developing a robust theory of change and a peace investment strategy.
- > Aligns with relevant Sustainable Development Goals (SDGs) and national development objectives in the country of issuance.

Importantly, the impacts of Peace Bond and Peace Equity investments must be independently verified and confirmed by the populations and groups that are intended beneficiaries of peace investments. A key advantage of certification is that it minimises the risk of peace-washing. It provides an assurance that Peace Bond and Peace Equity investments will make genuine contributions to peace and stability.

## How should the Guidance Notes for Peace Finance Verifiers be used?

The Guidance Notes for Peace Finance Verifiers complement several key Peace Finance documents and frameworks. To be most effective, the Notes should be used in conjunction with:

**The Peace Finance Impact Framework Guidance Notes** [available shortly]. The PFIF Guidance Notes explain Peace Finance and describe the roles and responsibilities of various stakeholders.

**Version 3 of the Peace Finance Impact Framework (PFIF)**<sup>3</sup>. The PFIF describes the Peace Finance Principles and the methodologies that underpin Peace Finance. It offers a comprehensive overview of standards and practices in the field.

**The Peace Bond Standard**<sup>4</sup> and the **Peace Equity Standard**<sup>5</sup>. These documents set out the criteria and conditions for issuing and managing Peace Bonds and Peace Equity instruments. They provide benchmarks for verification and assessment by Peace Finance Verifiers.

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3 The Peace Finance Impact Framework, <<https://www.financeforpeace.org/resources/the-peace-finance-impact-framework/>>.

4 Peace Bond Standard, <<https://www.financeforpeace.org/resources/peace-bond-standard/>>.

5 Peace Equity Standard, <<https://www.financeforpeace.org/resources/peace-equity-standard/>>.

It is important to note that the Guidance Notes for Peace Finance Verifiers complement and do not replace other independent review guidance. Their aim is to augment and enhance such guidance, focusing on Peace Finance. Relevant guidance includes ICMA's 'Guidelines for Green, Social, Sustainability, and Sustainability-Linked Bonds External Reviews' (2022). The Guidance Notes for Peace Finance Verifiers builds on established guidelines and addresses the unique features of Peace Finance verification.

If Peace Finance Verifiers read the above resources together, they will be equipped with the tools they need to conduct thorough and effective verifications of Peace Bond and Peace Equity investments. The approach adopted aligns with international best practices and also addresses the specific verification issues that arise in the context of Peace Finance.

## Who can be Peace Finance Verifiers?

Peace Finance Verifiers may be any entity or individual qualified to provide specialised verification services in the field of sustainable investment, with a particular focus on development and peacebuilding. Potential verifiers include:

- > **Organisations that specialise in sustainable investment services.** These are entities that currently offer verification services to various categories of sustainable investments.
- > **Individual consultants and advisers.** These are professionals with specific expertise in Peace Finance, sustainable investment, or related fields.

To verify a Peace Bond programme or Peace Equity investment effectively, Peace Finance Verifiers must meet the following criteria:

1. **Be independent.** A verifier must at all times be independent with respect to the issuer, to ensure that verification is unbiased and objective.
2. **Adhere to the Peace Bond and Peace Equity Standards.** A verifier who assesses Peace Bond programmes or Peace Equity funds must apply relevant pre-issuance or post-issuance criteria outlined in the Peace Bond Standard or the Peace Equity Standard.

In addition, verifiers should use the ICMA guidelines for external reviewers<sup>6</sup> as a reference when they verify Peace Bonds. These guidelines recommend that all independent external reviewers should respect five fundamental ethical and professional principles:

1. **Integrity.** Be honest and uphold ethical standards in all verification activities.
2. **Objectivity.** Maintain impartiality and avoid conflicts of interest.
3. **Professional competence and due care.** Demonstrate and deploy required expertise and be diligent during all verification processes.
4. **Confidentiality.** Respect and preserve the privacy of information that is acquired during verification processes.
5. **Professionalism.** Conduct all activities with professionalism and respect.

Ideally, pre-approved verifiers selected by an issuer should possess expertise in the ICMA Principles and Guidelines and the Impact Principles, because the Peace Finance Standards draw on the best practices that these frameworks affirm.

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<sup>6</sup> Guidelines for Green, Social, Sustainability and Sustainability Linked Bonds External Reviews, <[https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf)>.

## How to become a Peace Finance Verifier

Individuals or organisations interested in becoming pre-approved verifiers or evaluators for Peace Finance instruments can apply through the application process<sup>7</sup>. The application process evaluates an applicant's expertise, independence, and competence to conduct comprehensive and impartial evaluations of Peace Bonds and Peace Equity funds.

### Qualification criteria for approved verifiers

To be recognised as an approved verifier, candidates must demonstrate proficiency and experience in the following key areas:

**Capital market expertise.** Candidates must understand the issuance of debt instruments in capital markets and have experience of issuing organisations and managing issued funds.

**Verification experience in fragile and conflict-affected regions.** Candidates must demonstrate they have experience of verifying projects in regions characterised by fragility and conflict. They should show a proven record of understanding and addressing the complex challenges such environments present. They should show that they can conduct verifications with the sensitivity that the dynamics of these areas requires.

**Familiarity with international standards and socio-political dynamics.** Candidates should have a sound understanding of international standards and frameworks relevant to fragile and conflict-affected countries, and a nuanced comprehension of the socio-political dynamics of such contexts.

**Knowledge of the Peace Finance Impact Framework and the Peace Finance Standard.** Candidates should have a thorough understanding of the PFIF and the Peace Finance Standard. Ideally this knowledge should have been obtained through a specialised training programme provided by Finance for Peace.

**Expertise in assurance services.** Candidates should be competent to provide assurance services that align with the International Standards on Assurance Engagements ISAE 3000.

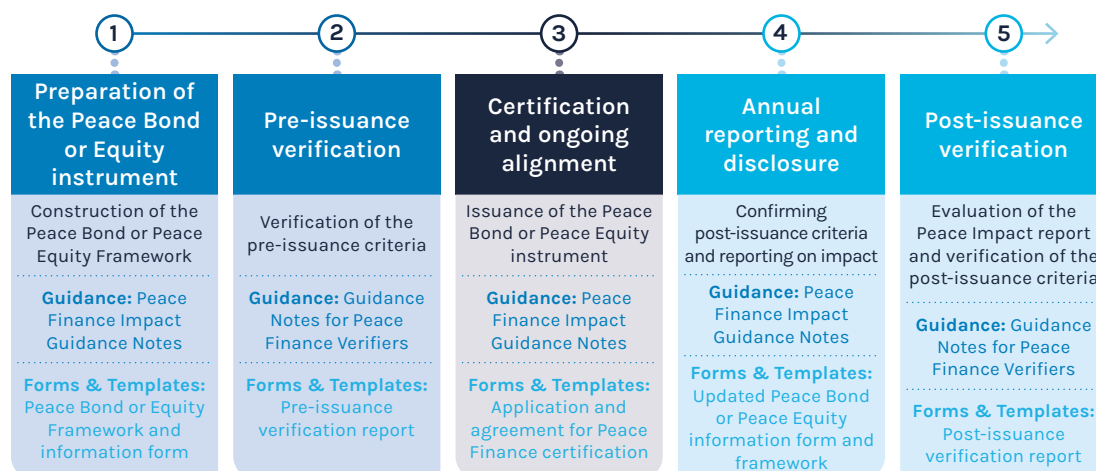
**Additional qualifications.** Additional expertise may be required when verifiers need to assess certain complex interdependencies. Subjects of additional expertise might include climate change and its intersection with conflict, or the triple nexus approach to humanitarian action, development, and peacebuilding.

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<sup>7</sup> More information available at <https://www.financeforpeace.org/>.



# What does a verification process look like?

**Figure 3. The verification process in the certification scheme**



Verification is a critical component in the certification of Peace Bonds or Peace Equity instruments. The process starts when an issuer prepares a financial instrument for certification, and has five stages:

- 1. Preparation by the issuer.** The issuer develops a Peace Bond or Peace Equity Framework, using templates available on the Finance for Peace website<sup>8</sup>. The Framework is the foundation of the certification process. The issuer also completes an information template that requires verification [available shortly].
- 2. Initial verification.** The Framework and information form are based on the pre-issuance criteria of the relevant Standard and are an essential element of the initial verification stage, up to the release of the pre-issuance verification report [available shortly].
- 3. Certification and issuance.** Once a Peace Finance Verifier has verified the instrument based on pre-issuance criteria, the issuer is able to apply for certification [application and agreement template available shortly].
- 4. Annual impact reporting.** Annually, the issuer is required to prepare an impact report, which stakeholders must confirm. During this stage, the issuer also reports any potential new issuances. The issuer updates the Framework and information form in the light of new issuances and the impact report, preparing the way for the Peace Finance Verifier’s second intervention.
- 5. Biannual reverification.** The issuer recommissions or commissions a verifier biannually to evaluate the peace impact report and confirm that all the post-issuance criteria of the Standard have been met. This evaluation is crucial because it validates continued certification of the instrument.

Asking the verifier to confirm at two year intervals that the post-issuance criteria of the Standard continue to be met provides an assurance that investors and stakeholders can have confidence in the integrity and efficacy of the Peace Bond or Peace Equity instrument.

Figure 3 visually represents the steps of the verification process, and indicates relevant guidance and templates at each step.

<sup>8</sup> [www.financeforpeace.org](http://www.financeforpeace.org)

## Core components of Peace Bond or Peace Equity review and verification

Verifiers play a pivotal role in the Peace Finance ecosystem. When a Peace Bond or Peace Equity framework is completed, a verifier must conduct a thorough review to confirm that pre-issuance criteria of the Standard have been met. Only then can a Peace Bond or Peace Equity Framework be awarded a 'Peace Label'. Subsequently, verifiers intervene again to confirm that post-issuance criteria continue to be met, justifying the extension of certification. Verification reports must be made public. If verifiers find that some criteria have not been met, or are no longer met, issuers must make appropriate changes or remedies before the Peace Bond or Peace Equity fund in question can be certified or recertified.

Verification includes several essential components. A Peace Bond or Peace Equity investment must:

- > **Align with the Peace Taxonomy and Peace Principles.** The framework must align with the Peace Taxonomy and the Peace Finance Principles, ensuring that the financial instrument is consistent with the overarching goals of Peace Finance.
- > **Comply with pre-issuance or post-issuance criteria.** The framework must comply with the specific pre-issuance criteria set out in the Peace Bond Standard or the Peace Equity Standard. This ensures that the instrument meets the foundational requirements for certification. Subsequently, it must be shown periodically that the framework has continued to meet certification criteria, justifying the extension of certification.

In addition, a Peace Bond or Peace Equity investment must:

- > **Comply with Peace Partnership requirements.** The framework must meet the requirements for Peace Partnerships, which are integral to the success of the instrument.
- > **Actively involve Peace Partners.** Peace Partner(s) must be actively involved in both the preparation of the instrument and in primary and subsequent verification processes. Their engagement underpins the credibility and effectiveness of Peace Finance instruments.
- > **Give active roles and responsibilities to stakeholders.** Various stakeholders must be given active roles and responsibilities in the investment that reflect and recognise their interests. All parties must be adequately represented and their interests must be taken into account.
- > **Actively involve communities in drafting and implementing a theory of change and an investment strategy.** Investments must ensure that communities that are the intended beneficiaries of an investment participate actively in drafting and agreeing a theory of Change and a peace investment strategy. They must equally be able to participate in impact management processes, including the selection of key performance indicators (KPIs) to measure performance, peace impacts and participation.

Verifiers must evaluate these conditions of certification and be satisfied that they have been included in the framework before issuance, and realised by the investment post-issuance. Verification is essential to ensure that Peace Bonds and Peace Equity instruments not only adhere to the required standards but effectively contribute to peacebuilding and conflict resolution efforts.

## Other references for Peace Bond and Peace Equity verification

### Peace Bond verification

Models used to verify Social and Sustainability Bonds are of relevance to Peace Bond verification, particularly procedures for verifying the use and management of proceeds. These models have proved effective and can be adapted to suit the specific requirements of Peace Bonds.

### Peace Equity verification

Verification of Peace Equity investments relies on showing that their impact management systems align with the impact principles, or need enhancement to align with them. Independent verification can be organised during a financial audit or a portfolio/fund performance evaluation. The flexible approach chosen by the impact principles makes it easier to use the model to verify the integrity of Peace Equity investments.

## Links to guidance and relevant templates and forms

Pre-approved verifiers are encouraged to use the following guidance and materials to facilitate their verification processes:

### Peace Bonds and Peace Bond programmes

- > Pre-issuance verification report template for Peace Bonds [available shortly].
- > Post-issuance verification report template for Peace Bonds [available shortly].
- > The Peace Bond Standard: <https://www.financeforpeace.org/resources/peace-bond-standard/>
- > The Peace Finance Impact Framework Guidance Notes [available shortly].

### Peace Equity funds or portfolios

- > Pre-issuance verification report template for Peace Equity funds [available shortly].
- > Post-issuance verification report template for Peace Equity funds [available shortly].
- > The Peace Equity Standard: <https://www.financeforpeace.org/resources/peace-equity-standard/>
- > The Peace Finance Impact Framework Guidance Notes [available shortly].

Using these guidelines, templates and forms will streamline the verification process. It will also enable Finance for Peace to analyse their utility, identify gaps and concerns, and enhance the overall process. A commitment to continuously improve will ensure that verification procedures remain effective and relevant as Peace Finance continues to evolve.

# Finance for Peace

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