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INDEPENDENT
EVALUATION
OF THE GREEN
CLIMATE FUND'S
ENVIRONMENTAL
AND SOCIAL
SAFEGUARDS AND
THE ENVIRONMENTAL
AND SOCIAL
MANAGEMENT
SYSTEM

February 2020

Final Report

GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

Independent evaluation of the GCF's
Environmental and Social Safeguards and the
Environmental and Social Management System

FINAL REPORT

February 2020

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FOREWORD



In his 1962 classic text, *The Structure of Scientific Revolutions*, Thomas Kuhn famously deconstructed paradigm shift and concluded that shifts in prevailing paradigms only occur when the world accumulates “anomalies” that contradict current ways of thinking. It is through this lens that we have examined the Green Climate Fund’s (GCF) environmental and social management system and its safeguards. Prevailing paradigms of environmental and social thinking have used Hippocratic “do no harm” principles. Until recently, these were considered adequate.

This is no longer true.

Organizations around the world recognize that to save the planet we must invoke and adopt responsible environmental, social and governance principles. As a leader in this field, the GCF needs to set the standard, since environmental and social benefits are critical for any action on climate change. Indeed, for GCF investments and practices, the standard must be to **create** climate value through its investments.

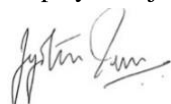
My team and I are proud to have worked on ESS – the Independent Evaluation of the GCF’s Environmental and Social Safeguards and the Environmental and Social Management System (ESS).

Our evaluation addressed three main questions. First, to what extent does the GCF prevent, mitigate and manage the potential adverse environmental and social impacts of GCF-funded projects? Second, is the GCF effectively promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach? Third, how well is the GCF monitoring and reporting environmental and social impacts and co-benefits?

Our main recommendations are as follows:

- The GCF’s current environmental and social management system and safeguards are not customized or relevant to the GCF’s overall mandate. **The GCF needs to urgently develop and adopt a new set of policies that reflect positive environmental, social and climate value in its actions and investments.** Specifically, it needs to cover gaps in the current system related to climate value, human rights, gender equity and consent, among others. The GCF also needs to develop operational guidance to reflect these changed policies.
- The GCF needs to design its processes and operations, specifically accreditation and the Readiness and Preparatory Support Programme, to accommodate the focus on environmental and social **performance and co-benefits.** It also needs to better define its sustainable development criterion and make “equity” a salient consideration.
- The GCF needs to **operationalize its monitoring and accountability framework and assign roles and responsibilities** in the Secretariat for designing, monitoring, reporting and realizing environmental and social safeguards, performance and co-benefits. It also needs to better track environmental and social covenants in its reporting framework and consider building capacity for responsible investing among its stakeholders.
- **The Project Preparation Facility** has the potential to be an important modality. However, current processing times need to be faster, and strategy needs to be reset, so the Facility can focus on supporting the preparation of promising and innovative projects.
- Members of civil society organizations are important GCF stakeholders. The GCF needs to consider processes that **resolve civil society concerns and develop a policy on stakeholder engagement.** Greater awareness is required for grievance redress mechanisms in countries. This is especially important as the GCF portfolio grows.

I hope you enjoy reading this report – and are galvanized into action as a consequence.



Dr. Jyotsna Puri, Head, Independent Evaluation Unit

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Overall guidance and technical oversight for the evaluation was provided by Dr Jyotsna Puri, Head of the GCF IEU. The evaluation's task manager was IEU's Principal Evaluation Officer, Mr. Andreas Reumann. The evaluation report was jointly written by IEU staff and consultants and the Climate Law and Policy consultancy team, led by Ms. Daniela Rey Christen. Evaluation team members included Mr. Joseph Mavindu Mutunga, Mr. Peter Mwandri and Ms. Giang Pham from the IEU, and Dr John Horberry, Dr David Annandale, Ms. María García Espinosa and Mr. Darko Annandale from Climate Law and Policy. All responsibility, including any errors, lies solely with the IEU, who are responsible for this evaluation.

We express our deepest gratitude to members of the advisory group for the independent evaluation. The advisory group consisted of Dr Glen Armstrong, dir. Eugenia McGill and Dr Arntraud Hartmann. They provided profound and timely advice through their feedback and comments on the inception report, factual draft report and final evaluation report at different stages of this process.

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The IEU recognizes that its evaluation reports are distributed to a wide range of stakeholders with different objectives and time frames for reading them.

The IEU makes the following suggestions on how you might approach reading this evaluation report.

- If you have **15** minutes: The Executive Summary.
- If you have **30** minutes: The Executive Summary and the first pages of chapters III–VII.
- If you have **45** minutes: The Executive Summary and chapter VIII.
- If you have **70** minutes: The Executive Summary, the first pages of chapters III–VII and chapter VIII.
- If you have **90** minutes: The Executive Summary, the first page of chapter III–VII, chapter VIII and the statistical annexes – in particular, annexes 2, 3 and 4.
- If you have more than **two hours**, the full report.

ABBREVIATIONS

ADB	Asian Development Bank
AE	accredited entity
AF	Adaptation Fund
AfDB	African Development Bank
AMA	accreditation master agreement
AP	Accreditation Panel
APR	annual performance report
CF	Carbon Fund
CIF	Climate Investment Funds
CN	concept note
COP	Conference of the Parties
CSO	civil society organization
DAE	direct access entity
DCP	Division of Country Programming
DMA	Division of Mitigation and Adaptation
E&S	environmental and social
EBRD	European Bank for Reconstruction and Development
EE	executing entities
ERPA	emissions reduction purchase agreement
ESAP	environmental and social action plan
ESMF	environmental and social management framework
ESMP	environmental and social management plan
ESMS	environmental and social management system
ESP	environmental and social policy
ESS	environmental and social safeguards
FAA	funded activity agreement
FCPF	Forest Carbon Partnership Facility
FMO	Netherlands Development Finance Company
FP	funding proposal
FPIC	free, prior and informed consent
FPR	Forward-looking Performance Review
GAP	gender action plan
GCF	Green Climate Fund
GEF	Global Environment Facility
GRM	grievance redress mechanisms
IAE	international accredited entity
IDB	Inter-American Development Bank

IDP	information disclosure policy
IEU	Independent Evaluation Unit
IFC	International Finance Corporation
iPMS	integrated portfolio management system
IPP	indigenous peoples policy
IRM	Independent Redress Mechanism
iTAP	independent Technical Advisory Panel
KII	key informant interview
KPI	key performance indicator
MAF	monitoring and accountability framework
MDBs	multilateral development banks
MF	methodological framework
MSME	micro, small and medium-sized enterprise
NAP	national adaptation plan
NDA	national designated authority
NIEs	national implementing entities
OGC	Office of General Counsel
OIA	Office of Internal Audit
OPM	Office of Portfolio Management
ORMC	Office of Risk Mitigation and Compliance
PAP	project approval process
PFA	project formulation assistance
PFG	project formulation grants
PMF	performance measurement framework
PPF	Project Preparation Facility
PPG	project preparation grants
PSF	Private Sector Facility
PSOs	private sector organizations
PwC	PricewaterhouseCoopers
RBP	results-based payments
REDD+	Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
RFP	requests for proposals
RMF	results management framework
RPSP	Readiness and Preparatory Support Programme
SAP	simplified approval process
SIS	safeguards information system
SOIs	summaries of information
TOR	terms of reference

UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WFR	Warsaw Framework for REDD-plus

EXECUTIVE SUMMARY

A. INTRODUCTION

Context

During its twenty-first meeting, the Board of the GCF requested the Independent Evaluation Unit (IEU) to undertake an independent evaluation of the GCF's environmental and social safeguards (ESS) and its environmental and social management system (ESMS).¹ This executive summary provides an overview of the evaluation's key findings and recommendations.

As an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), the GCF is explicitly mandated to contribute to the UNFCCC's ultimate aim of stabilizing greenhouse gas concentrations in the atmosphere. It is also explicitly mandated to promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions. It is also expected to support developing countries in adapting to the impacts of climate change through actions that are compatible with each country's specific needs.

To achieve these objectives, the Governing Instrument of the GCF requires it to adhere to the *“principles and the provisions of the Convention...while promoting environmental, social, economic and development co-benefits² and taking a gender-sensitive approach.”* The Governing Instrument also requests the Board to, inter alia, *“Develop environmental and social safeguards and fiduciary principles, and standards that are internationally accepted.”* Furthermore, its Governing Instrument indicates that the GCF's *“Financial management practices and*

financing agreements will be in keeping with the Fund's fiduciary principles and standards and environmental and social safeguards to be adopted by the Board.” Social and environmental performance and co-benefits are thus key to the mandate of the GCF and its environmental and social policy (ESP). See Figure 1 for a description of key system- and investment-level ESP and guidance requirements in the GCF.

Objectives

The evaluation has three main objectives. The first is to assess the extent to which the GCF is effectively **preventing, mitigating and managing potential adverse environmental and social impacts** of GCF-funded projects. The second is to assess the extent to which the GCF is **effectively promoting environmental, social, economic and development co-benefits, and taking a gender-sensitive approach**, by replacing the traditional “do no harm” approach with a “do good” approach.³ The third is to assess how well the **GCF is monitoring and reporting on environmental and social impacts and co-benefits.**

The IEU examined **four key parts** of the GCF. These include the GCF's current interim ESS standards and policies; GCF processes and operations with a focus on accreditation, the Readiness and Preparatory Support Programme (RPS) and the Project Preparation Facility (PPF); GCF investment design and approval processes; and project implementation and its likely environmental and social results.

Methods

The evaluation used a mixed-methods approach that combined qualitative and quantitative methods and data. The main data

¹ GCF/B.21/11.

² Co-benefits refer to the integration of environmental and social sustainability into climate change projects. As laid out in the GCF's ESP, the GCF should provide the opportunity to incorporate environmental and social considerations in ways that go beyond safeguard

measures of “do no harm”. For example, a cook-stove project may aim to reduce wood-fuel use and build resilience in a local community, while reducing the incidence of respiratory disease related to air pollution.
³ As per GCF/B.19/06, Section V, paragraph 10.

sources and analysis methods used were as follows:

- An extensive review of Board decisions and other GCF documents, as well as relevant external literature and independent ESS evaluations by other climate funds
- An extensive portfolio analysis that extracted and used quantitative and qualitative data
- Semi-structured interviews, focus group consultations and a perception survey
- A benchmarking exercise of other climate funds
- In-depth analyses in seven countries: Morocco, Peru, Paraguay, Zambia, Sri Lanka, Samoa and Kazakhstan

The IEU conducted the evaluation from April to December 2019. All data included here, unless otherwise noted, are valid up to 8 July 2019. A team from the consulting firm Climate Law and Policy supported the IEU in undertaking this evaluation.

Report structure

This report contains eight chapters.

Chapter I introduces the evaluation's objectives, scope and methodology. **Chapter II** provides the context and rationale for this evaluation by introducing the ESS and ESMS. **Chapter III** assesses to what extent the GCF's current policies and standards are coherent with and relevant to the institution's mandate and its overall structure and are complementary vis-à-vis other actors within the climate change landscape. **Chapter IV** assesses to what extent the accreditation process is effective regarding ESS. It also reviews the roles of the RPSP in strengthening ESS capacities and the PPF in supporting the preparation of funding proposals. **Chapter V** evaluates how effectively projects are assessed for their ESS and potential co-benefits. **Chapter VI** analyses the effectiveness of the GCF's monitoring and evaluation of ESS and co-

benefits. **Chapter VII** looks at a special case study that examines the coherence of the REDD+ pilot programme with the Warsaw Framework for REDD+ (WFR). Finally, **Chapter VIII** provides the evaluation's conclusions and recommendations.

B. KEY FINDINGS AND CONCLUSIONS

Overall, the evaluation concludes that although the GCF's current interim ESS standards and practices were appropriate, perhaps for the early stage of the Fund, they have many gaps. It is imperative the GCF **urgently develop and adopt new ESS standards, policies, procedures and guidelines that align with its climate mandate**. These should not only respond to the GCF's unique mandate **and recognize responsible investing principles, but also be sensitive to developing countries' climate needs and development priorities**. In this section, we present our data and evidence-based key findings and conclusions. In the concluding section, we present key recommendations for the Board's consideration. Recommendations and findings are organized by key topics.

Topic 1: (Interim) Environmental safeguard standards and policies

Key conclusion 1: The GCF interim ESS standards and ESMS are not fit for purpose and not aligned with the GCF's mandate and international best practices.

Key findings 1: The evaluation team identified a range of gaps in the GCF's ESS standards when compared with the provisions in the Paris Agreement and with similar ESS and related policies in peer climate funds.

- a) The GCF's interim standards were the International Finance Corporation Performance Standards. Consequently, they are not tailored to the GCF mandate. In particular, the GCF interim standards have **important gaps**

regarding human rights, gender and equity concerns. The GCF has not adopted any guidance on how to screen and assess potential adverse effects on human rights, either for itself or for accredited entities (AEs); its gender policy does not adhere to international standards, and there is no guidance on what constitutes “consent,” among others.

- b) The current ESMS does not focus on **“how” to achieve** social and environmental outcomes in the design, approval and monitoring stages of funded projects/programmes, when compared to other climate funds. And it does not acknowledge responsible investing principles that are well recognized by multilateral institutions.
- c) The GCF’s investment criterion for **sustainable development potential** has a variety of definitions within the Secretariat.
- d) The current ESMS does not focus adequately on **generating positive, measurable social and environmental improvements** as co-benefits that are otherwise an essential condition for climate investments.
- e) The GCF does not require or provide guidelines for how funded projects/investments should **report** on social and environmental outcomes and performance and co-benefits, and compared with other climate funds it has less stringent reporting requirements on safeguard implementation.

- f) The current ESMS does not focus on **“how”** to achieve positive environmental and social outcomes. Yet, the GCF’s ESP recognizes the integration of environmental and social sustainability as one of its guiding principles.
- g) **Direct access entities (DAEs) find it particularly challenging to demonstrate conformity with ESS standards.**⁴ While the GCF is focusing increasingly on growing the number of DAEs it works with, so far it does not seem to be planning adequately for the capacity challenge this increase will present. Addressing this challenge will be essential for the GCF to meet Article 9 of the Paris Agreement and to achieve its strategic goals.^{5,6}

Topic 2: GCF processes and operations

Key conclusion 2: The GCF’s key processes and operations – the accreditation process, PPF and the RPSP – have some overall strengths but do not meet the needs of the GCF’s mandate to signal and realize the importance of environmental and social performance and co-benefits.

Key findings 2: The efficiency and effectiveness of the accreditation process and PPF require re-examination.

- a) So far, the accreditation process does not highlight the importance of environmental and social **performance** through **co-benefits** during subsequent project implementation. The accreditation process is a checklist exercise, which, although important, is inadequate. Accreditation remains a desk

⁴ UNFCCC, Standing Committee on Finance, Forum on Climate Finance Architecture (2018). Reports available at <https://unfccc.int/topics/climate-finance/meetings--events/scf-forum>. See also I. Masullo, G. Larsen, L. Brown, and L. Dougherty-Choux, “‘Direct Access’ to Climate Finance: Lessons Learned by National Institutions”, Working Paper (Washington, D.C., World Resources Institute, 2015). Available at <http://www.wri.org/publication/direct-access>.

⁵ Article 9 of the Paris Agreement states that the institutions serving this Agreement, including the

operating entities of the Financial Mechanism of the Convention, will aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans. Article 9 available at <https://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf#page=28>.

⁶ GCF/B.24/Inf.01 para 30.

review exercise that does not **verify** the capacity of AEs to implement interim ESS policies or their ability to monitor ESS considerations for compliance and impact. This will likely be a challenge once the GCF revises its environmental and social standards to conform with its climate mandate.

- b) The RPSA is an important element of ESS capacity strengthening but fails to **adequately monitor and report** on the strengthening of AE capacity to manage ESS and gender policies, standards and institutional mechanisms.
- c) The **PPF** is the GCF's only form of project preparation support. However, its processing times are far too long to effectively and efficiently assist the international accredited entities and DAEs in the timely preparation of high-quality bankable projects. **It typically takes 353 days (median) from proposal submission to the first disbursement for PPF funds.** As a consequence, perceptions concerning the PPF's added value in building social and environmental safeguards and performance are not favourable.
- d) In the three years since its inception, the PPF modality has resulted in one approved funding proposal (FP). **The GCF currently has no means of determining the effectiveness of its PPF.**
- e) **The current structure and staffing are largely insufficient** when considering the aspiration of the PPF to ensure support for the preparation of FPs.

Topic 3: Project design and approval

Key conclusion 3: The GCF conducts systematic due diligence of the ESS risk component of FPs as part of the Secretariat review. However, so far, this due diligence is inadequate and does not include an assessment (or verification) of potential

environmental and social **performance** and **co-benefits** (over and above risk mitigation).

Key findings 3: The GCF's AEs identify environmental and social co-benefits in almost all FPs. However, the process for identifying co-benefits is not systematic, and there is no guidance for identifying or reporting them.

- a) There are **inconsistencies in the understanding of the investment criterion for sustainable development potential** among GCF review teams, including independent Technical Advisory Panel members and Secretariat staff. In its current form, that criterion is not considered seriously in the investment selection process used by the Secretariat.
- b) There is no procedure in place to effectively **transmit the comments of active observers of civil society organizations (CSOs) for timely response and** action, before or at the time of the Board's consideration of FPs. Consequently, many AEs do not take these comments/inputs seriously.
- c) The majority of ESS conditions that are attached to funded activity agreements (FAAs) are **"covenants"** and do not specify a time frame for their fulfilment. They are consequently difficult to track through the monitoring and accountability framework (MAF).
- d) There is currently no well-defined strategic focus for the PPF, and frequently stakeholders (staff and non-staff) do not see its added value for the GCF business model.

Topic 4: Project monitoring and reporting

Key conclusion 4: The GCF does not adequately monitor ESS compliance, social and environmental outcomes, and/or co-benefits of funded projects/programmes.

Key findings 4: To date, the MAF's systems and tools have not been operationalized.

- a) The GCF relies solely on AEs' self-reporting through annual performance reports. Without the MAF in place, the GCF has neither control over ESS compliance nor adequate information to enable it to take remedial measures. Non-compliance and non-credible reporting represent a potential reputational risk for the GCF.
- b) Currently, the GCF is **not able to assess the environmental and social performance of funded activities because the results management framework (RMF) does not require reporting** on environmental and social compliance/safeguards and co-benefit indicators (at impact or outcome level). This is despite the fact that the RMF is required to include measurable, transparent, effective and efficient indicators for ESS and gender.
- c) There is **limited awareness of available grievance redress mechanisms** at all levels (IRM, AE, project and programme). The experience of other agencies shows that as the GCF portfolio grows, grievances from countries will increase.

Topic 5: Reducing emissions from deforestation and forest degradation plus (REDD+)

Key conclusion 5: The GCF's REDD+ pilot programme is not consistent with the WFR.

Key findings 5: Currently, the GCF requires additional safeguard requirements beyond those set out by the WFR.

- a) The introduction of the concept "use of proceeds" contradicts the WFR. Safeguards provisions and procedures required by the GCF are features that differ from the methodological guidance under the WFR. These present an additional burden for the delivery of REDD+ action.

- b) The GCF's pass/fail approach under the scorecard is not consistent with the WFR.

C. KEY RECOMMENDATIONS

The evaluation offers recommendations on how the **GCF should develop, customize and incorporate environmental and social standards, policies and principles, and develop organizational capacity** to respond to its unique climate mandate. These recommended standards, policies and principles are compatible with the public and private sectors and respond to developing country climate needs and priorities. Recommendations marked "**urgent**" are presented to the Board for immediate consideration. We suggest that urgent recommendations be addressed within a year, as they constitute an important gap and critical challenge for the GCF. Recommendations marked "**two years**" are for the Board to consider in the relative long-term since they are likely to require consultations and further assessments.

Topic 1: ESS standards and policies

Urgent recommendations (within a year)

- The GCF's planned revision of its interim ESS standards needs to **address gaps** identified in this evaluation and should be customized to the GCF's mandate.
- The GCF's planned revision of its interim ESS standards and the development of its ESMS must ensure **environmental and social performance and co-benefits**, as well as **responsible investing principles**, are integrated into the ESMS.
- The Secretariat should focus on setting up **operational guidance** as well as reporting and monitoring systems that focus not just on environmental and social risks but also on performance and co-benefits.

- The **development of the new ESMS should consider** (a) specific and tailored guidance on newly adopted ESS, clarifying how the environmental and social principles of the ESP are integrated into screenings, environmental and social assessments, and due diligence processes used by the Secretariat; (b) specific guidance for human rights due diligence; (c) a stakeholder engagement policy; (d) specific and tailored guidance for the implementation of the gender policy that in turn adheres to international standards; and (e) monitoring and reporting tools, including a monitoring policy for ESS, environmental and social performance and co-benefits.
- The GCF should plan to deal **with the capacity gap of DAEs** as it develops its new ESS standards. The GCF ESS/Sustainability team could learn important lessons from other agencies' experiences with direct access.
- The GCF should commit to **assessing the implementation of the updated gender policy** to allow for improvements and revisions.
- The GCF must develop **guidance for identifying co-benefits** and ensure these are monitored and reported with rigour and credibility. It should also consider responsible investing principles and adopt key performance indicators to guide projects on impact reporting concerning ESS.
- The GCF should develop clear **guidance on the investment criterion for sustainable development potential**.

In two years, it is recommended the GCF:

- Set up **operationalized mechanisms** with other agencies such as the Global Environment Facility and the Adaptation Fund to enhance complementarity at the fund, national and activity levels. In developing the ESMS, the GCF should

discuss opportunities for complementarity with the Global Environment Facility and the Adaptation Fund, including establishing more coordinated and holistic support for ESS from the RPSP. The GCF could also convene these agencies to explore an information-sharing system. This system would consider project approvals, high-achieving or problematic projects, and AE projects recommended for additional and/or future financing, while also harmonizing applications and processes.

Topic 2: Process and operations

Urgent recommendations (within a year)

- The GCF should consider developing an **accreditation strategy** that aligns with the GCF's strategic priorities. Specifically, reaccreditation should start to consider the extent to which entities have planned and realized co-benefits and climate, environmental and social performance in their overall portfolios and recognized responsible investing principles. The GCF should ensure that the desk-based assessment undertaken during accreditation is **replaced by a more robust procedure for assessing an AE's institutional capacity** to monitor and report on the implementation of ESS management measures and environmental and social performance.

In two years, it is recommended the GCF:

- **Increase support** available to candidate DAEs before and after accreditation to address ESS requirements through the RPSP.
- Track and report on **RPSP support for ESS capacity** for candidate DAEs.
- Consider a radical surgery on the PPF, based on its poor performance, to improve its **processing times and targeting**.

- Develop a **systematic result monitoring and measurement system** to monitor and report the progress and outcomes of the PPF.
- Ensure that the Secretariat continues to be engaged throughout the implementation stage of the PPF.
- Review options to increase awareness of the PPF among stakeholders.

Topic 3: Project design and approval

Urgent recommendations (within a year)

- Strengthen the **process for identifying** environmental and social performance and co-benefits and ensure they are robustly assessed and reported during the due diligence process by the Secretariat.
- **In developing the ESMS**, the GCF should (a) prepare guidance for AEs and for the Secretariat on how co-benefits may be identified for the proposed project/programme, (b) prepare guidance on how to quantify estimated co-benefits using impact indicators, and (c) prepare guidance on how to integrate co-benefit monitoring with ESS monitoring.
- The GCF should consider including **equity** in its guidance for sustainable development potential.
- The GCF should ensure that MAF tools and systems are operationalized and can capture the information necessary to follow up on FAA conditions. Specifically, the GCF should **operationalize the portfolio management system**.

In two years, it is recommended the GCF:

- Establish procedures for addressing **active CSO observer comments** on FPs related to ESS. There should be policies and procedures for engaging CSOs at the Board level and at the project level, and all relevant FP documentation should be made public.

- Build internal (Secretariat) capacity to strengthen and build the likelihood for realizing environmental and social performance and co-benefits, while focusing on getting innovative projects ready for GCF support. This is essential if the PPF is to continue.

Topic 4: Project monitoring and reporting

Urgent recommendations (within a year)

- **The RMF must be urgently updated to incorporate reporting on environmental and social impact and outcome level indicators.** The refinement of social, environmental and economic co-benefit indicators at both Fund impact level and project/programme outcome level is currently missing. Smart co-benefit indicators would provide a better sense of how project-specific outcomes and impact indicators will be aggregated to provide meaningful measures of the GCF's overall environmental and social performance.
- The Secretariat should consider **aligning reporting** on investment criteria with RMF-related reporting.
- The Secretariat needs to set up an **early warning system** as part of the MAF to assist the assessment of risks related to the project ("project risk flags") and risks related to the overall performance of the AE ("AE risk flags").
- The Secretariat must **clarify staff roles and responsibilities** for monitoring and reporting environmental and social performance and co-benefits.
- Any **portfolio management system** set up to operationalize the MAF should include information on AE accreditation, recent project reports, interim/final evaluations, follow-up FAA conditions, and performance on environmental and social benefits.

In two years, it is recommended the GCF:

- **Improve the annual performance report template** so that it can report reliably on environmental and social impacts, outcomes and co-benefits.
- Require AEs to **promote awareness of project-level grievance redress mechanisms** throughout the life cycle of the project and strengthen awareness-raising activities regarding the GCF's Independent Redress Mechanism.
- Ensure it can carry out **ad hoc checks that** consider early warning system risk flags.

Topic 5: Reducing emissions from deforestation and forest degradation (REDD+)

In two years, it is recommended that the GCF:

- **Take steps to evaluate the REDD+ pilot programme** with a focus on examining its effectiveness and alignment with the WFR, while drawing on lessons learned from other initiatives.
- **Provide detailed guidance on Cancun Safeguards** and draw on lessons learned from the ex ante application of Cancun Safeguards on the GCF portfolio.
- **Clarify the concept of co-benefits and strengthen guidance** for their identification, monitoring and reporting among REDD+ investments.

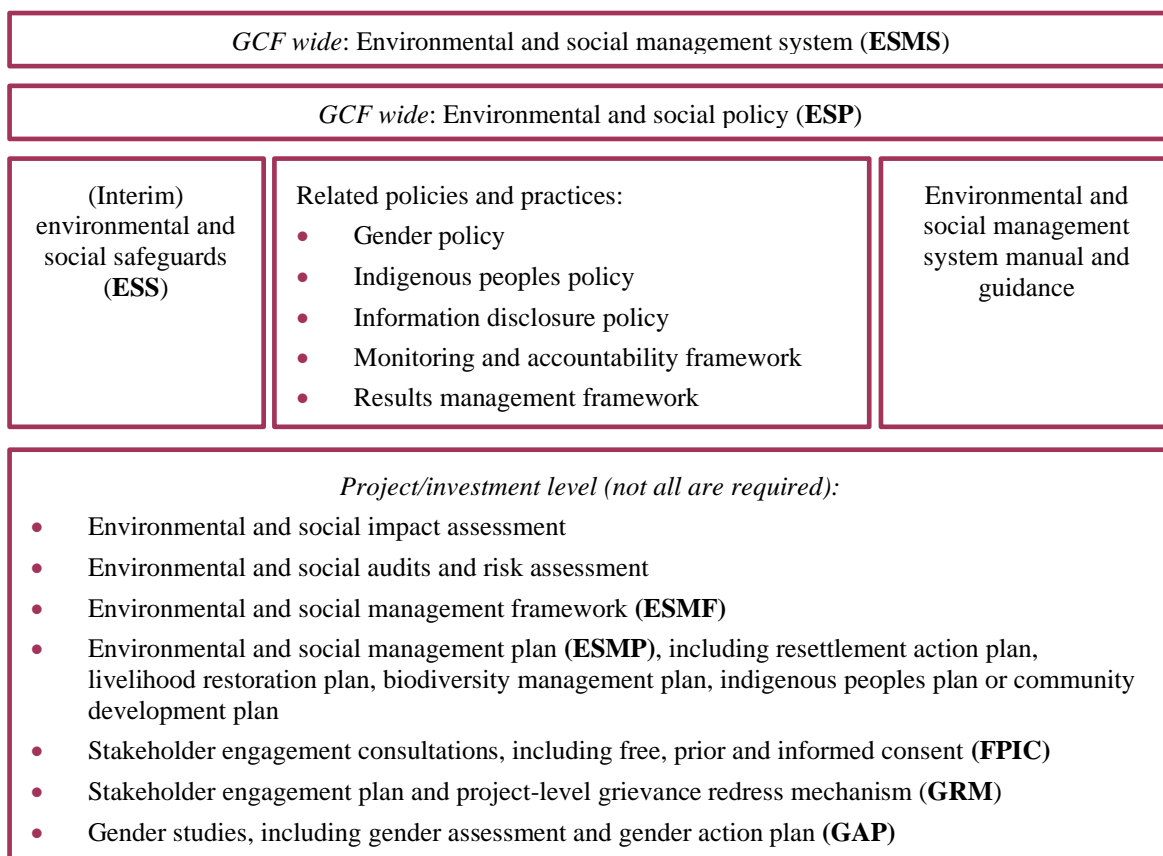


Figure 1 Key system- and investment-level ESP and guidance requirements in the GCF

MAIN REPORT

Chapter I. INTRODUCTION AND OBJECTIVES

D. OVERVIEW

1. This report presents the findings of the Independent Evaluation of the Green Climate Fund's (GCF) Environmental and Social Safeguards (ESS) and Environmental and Social Management System (ESMS), undertaken by the Fund's⁷ Independent Evaluation Unit (IEU). This evaluation responds to the decision taken during the twenty-first meeting of the Board of the GCF when the Board requested the IEU to undertake an independent assessment of the ESS and ESMS.⁸ Subsequently, as part of its approved workplan for 2020, the IEU was also requested to undertake a rapid review of the Project Preparation Facility (PPF). This report also contains the key findings of the rapid review.
2. To fulfil its mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways, the GCF is required to effectively and equitably manage environmental and social risks and improve the environmental and social outcomes of all funded activities. To this end, the GCF has adopted an ESMS, comprising an environmental and social policy (ESP), a set of interim ESS standards and guiding manuals (see Figure II-1 in Chapter I).
3. The GCF Governing Instrument notes the following:⁹
 - *"The Board will agree on and adopt best practice environmental and social safeguards, which shall be applied to all programmes and projects financed using the resources of the Fund."*
 - *"The Fund will support the strengthening of capacities in recipient countries, where needed, to enable them to meet the Fund's environmental and social safeguards, based on modalities that shall be developed by the Board."*
4. The interim ESS standards currently applied by the GCF are the International Finance Corporation (IFC) Environmental and Social Performance Standards, including their guidance notes (see Figure I-1). IFC's sustainability framework comprises IFC's policy and performance standards on environmental and social sustainability. It has eight performance standards that must be met throughout the life of an investment by IFC or any other financial institution that applies them:¹⁰
 - Performance Standard 1: Assessment and management of environmental and social risks and impacts
 - Performance Standard 2: Labour and working conditions
 - Performance Standard 3: Resource efficiency and pollution prevention
 - Performance Standard 4: Community health, safety, and security
 - Performance Standard 5: Land acquisition and involuntary resettlement
 - Performance Standard 6: Biodiversity conservation and sustainable management of living natural resources
 - Performance Standard 7: Indigenous peoples
 - Performance Standard 8: Cultural heritage

⁷ Please note that the terms "the GCF" and "the Fund" are used interchangeably in this document.

⁸ GCF/B.21/11.

⁹ UNFCCC document FCCC/CP/2011/9/Add.1. Available at <http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf>.

¹⁰ IFC, "Performance Standards on Environmental and Social Sustainability" (1 January 2012). Available at www.ifc.org/performancestandards.



Figure I-1. International Finance Corporation Environmental and Social Performance Standards

Source: IFC Performance Standards, 2012.

E. OBJECTIVES OF THE EVALUATION

5. This evaluation has three main objectives. The first is to assess the extent to which the ESS and ESMS serve to **prevent, mitigate and manage potential adverse environmental and social impacts** of GCF activities, programmes and projects. The second is to consider how the ESS and ESMS seek to **improve the social and environmental performance of the GCF** by going beyond the traditional “do no harm” approach and fostering a “do good” approach.¹¹ The third is to assess how well the ESMS serves to **capture results** with respect to the design and implementation of GCF projects.
6. In following these key objectives, the evaluation team was guided by the principles set out by the Board, the Governing Instrument, and as initially stated in its terms, the evaluation criteria of the IEU.¹² These criteria were applied to each of the key evaluation questions, creating an evaluation matrix to guide data gathering and analyses. Given the state of implementation of GCF-funded activities, projects and programmes, as well as the operational processes, the evaluation focused on the following criteria to examine the ESS and ESMS: relevance, coherence, effectiveness, efficiency, country ownership, recipients’ needs and sustainability. Other IEU evaluation criteria were addressed within the context of these criteria (see Table I-1).

¹¹ As per GCF/B.19/06, Section V, paragraph 10.

¹² GCF/B.06/18 Annex III, IV.

Table I-1. Operationalizing the IEU's evaluation criteria

CRITERION	DEFINITION
Relevance	Relevance assesses the extent to which the ESMS addresses the key priorities and objectives of the GCF and how it links within other GCF policies and the GCF business model.
Coherence	Coherence addresses the extent to which the ESMS aligns with the safeguard systems used within the climate change funds and among project and programme components.
Country ownership	Country ownership assesses the extent to which the ESMS considers country capacities and priorities, and the related policies and frameworks deliver high utility to countries.
Recipients' needs	Recipients' need assesses the extent to which the ESMS relates to national and regional capacities, policies and frameworks that deliver high utility to countries.
Effectiveness	Effectiveness assesses the extent to which the GCF staff, accredited entities' staff and other stakeholders are incorporating ESS considerations, in particular the ESMS, into their processes that will enable them to prevent, mitigate and manage adverse impacts and foster co-benefits to improve the environmental and social performance.
Efficiency	Efficiency assesses the extent to which the ESMS has fostered or hindered the wise use of resources.
Sustainability	Sustainability addresses the extent to which the ESMS captures environmental and social information, including priorities, processes and impacts.

Source: GCF/B.06/18, Annex III, VI.

F. SCOPE AND METHODOLOGY

7. The review looks at the GCF's ESS and ESMS from five perspectives:

- ESP and safeguard standards: Determine how the GCF's ESS standards, policies and overall ESMS align with the safeguard systems used within the climate change funds.
- Process and operations: Identify how the ESMS links with the GCF's mandate, policies, business model, institutional structure, decision-making process and operations.
- Project design and approval: Assess how environmental and social risks and co-benefits are identified and assessed during project review and approval, and how these are monitored and reported during project implementation.
- Project implementation: If and how the ESMS contributes to ensuring that GCF-funded activities apply GCF ESS and policies in terms of addressing impacts and creating environmental and social benefits. Specifically, to what extent have accredited entities (AEs) used their ESS policies and standards effectively and efficiently to meet GCF ESS requirements during implementation and in a manner relevant to the GCF's climate mandate.
- Likely results and impacts of the GCF's investments: Highlight actual and likely environmental and social results and impacts of the GCF's investments.

And separately we ask:

- How effective has the PPF been? Is it meeting its objectives?

8. The review uses a mixed-methods approach tailored to the scope and evaluation criteria of the evaluation and has applied the following evaluation matrix (Table I-2), which outlines the key evaluation questions and subquestions.

Table I-2. Evaluation matrix

AREAS	EVALUATION CRITERIA	KEY QUESTIONS	SUB QUESTIONS
GCF's ESP and standards	Coherence	1. To what degree do the GCF's ESP, ESMS and standards operate together to achieve their objectives, and are they aligned with relevant international best safeguard standards and practices ?	<ul style="list-style-type: none"> To what extent are the GCF's current ESP/standards coherent with global commitments and international law principles on human rights and environmental obligations? To what extent are the GCF's ESP and standards coherent and relevant with ES policies and standards applied in the climate change landscape? How coherent are the GCF's ESP and standards with other GCF policies and strategic goals and the GCF institutional structure?
Process and operations	Effectiveness and Efficiency and Relevance Country ownership and recipients' needs Sustainability	2. To what extent is GCF addressing the capacity needs of AEs and countries to ensure the effective implementation of the ESMS?	<ul style="list-style-type: none"> How effective is the accreditation process in terms of assessing the capacity of prospective AEs to prevent, manage or mitigate adverse environmental, and social impacts, as well as setting the standards for environmental and social performance and achieving co-benefits? What support, in form of RPSP and PPF, has been provided to AEs, in particular DAEs and NDAs to help increase capacity to apply current ESMS, including the ESP and ESS standards?
Project design and approval	Effectiveness and Efficiency	3. To what extent has GCF's ESMS been efficiently and effectively incorporated in project design and approval ?	<ul style="list-style-type: none"> How effectively is the ESMS applied to concept notes and FPs and to what extent do projects seek to achieve co-benefits? To what extent do public sector appraisal processes differ from those for private sector operations? How effectively and efficiently has the ESMS been applied in the approval process and FAAs?
Project implementation and Likely results and impacts of the GCF's investments	Effectiveness, Efficiency, Country Ownership, Sustainability	4. How efficient and effective has the ESMS been in ensuring adequate monitoring and reporting by the AEs of environmental/social management measures during the implementation of GCF funded projects? To what extent are co-benefits being realized or to what extent are they	<ul style="list-style-type: none"> How efficient and effective has the GCF been in ensuring adequate monitoring and reporting by the AEs of environmental/social management measures during the implementation of GCF funded projects? To what extent has the GCF grievance redress requirements and mechanisms helped to address emerging concerns/complaints and to mitigate risks? To what extent are results and impacts from GCF funded projects likely with regards to E&S performance?

AREAS	EVALUATION CRITERIA	KEY QUESTIONS	SUB QUESTIONS
		likely to be realized in GCF projects?	
Project Preparation Facility	Effectiveness	5. How effective is the PPF's process, from application to monitoring and reporting?	5.1. What is the stakeholder (AEs, executing entities, etc.) experience with the 23 AEs that have so far accessed PPF? 5.2. What has the stakeholder experience been with AEs that unsuccessfully tried to access PPF? 5.3. What is the national designated authorities' perception of the process and use of the PPF pilot?
	Coherence Relevance Effectiveness Efficiency Recipients'	6. Is the PPF fit for purpose?	6.1. To what extent are entities aware of the availability of the PPF to support them in preparing projects for Board approval? 6.2. Is the PPF successfully being used to target direct access entities and micro to small-sized category projects? What are the bottlenecks? 6.3. What is the role of the PPF in comparison to readiness support, and what comparative results can be identified? 6.4. How well does (or can) the PPF help convert promising project concepts into bankable investments, particularly concepts from DAEs and with innovative and untested approaches? Why is the PPF not translating into GCF approved projects, as seen only one so far? Where are the bottlenecks? 6.5. Is the PPF appropriately placed within the GCF project cycle? 6.6. How well does (or can) the PPF complement readiness funding and country programmes? 6.7. How can transaction costs be reduced?

9. To address these key questions, the evaluation used a mix of complementary methods including document review, a comprehensive portfolio analysis, semi-structured interviews and focus group consultations, a perception survey, a benchmarking exercise, observation, and in-depth analyses in selected countries' country case studies. All data included here, unless otherwise noted, are valid up to 8 July 2019. The main data sources and methods of analysis are as follows.

1. DOCUMENT REVIEWS

10. The review included a comprehensive document review to inform this assessment. These documents included the following, among others:
- GCF policies and Board decisions
 - United Nations Framework Convention on Climate Change (UNFCCC) decisions and guidance to the GCF
 - GCF Secretariat administrative/operational documents, guidelines and procedures

- Accreditation application and approval documents, Readiness and Preparatory Support Programme (RPSP) documents, including national adaptation plans (NAPs), and progress reporting
- Independent evaluations carried out by the GCF IEU
- Project cycle documents, including concept notes (CNs), PPF proposals, funding proposals (FPs), Secretariat and independent Technical Advisory Panel (iTAP) reviews, civil society organization (CSO) comments, funded activity agreements (FAAs) and annual performance reports (APRs)
- Documentation/reports/complaints that have been filed through the GCF's Independent Redress Mechanism (IRM) and other feedback/complaint mechanisms, and the CSO reports that have been produced outside the GCF structure

2. PORTFOLIO ANALYSIS

11. The review carried out an extensive portfolio analysis employing both quantitative and qualitative methods. The portfolio analysis contributed to addressing the key evaluation questions and subquestions as set out in the evaluation matrix. The evaluation questions captured by the portfolio analysis are as follows:
 1. **Portfolio Analysis Evaluation Question 1:** To what extent is the GCF addressing the **capacity needs** of AEs and countries to ensure the effective implementation of the ESMS?
 2. **Portfolio Analysis Evaluation Question 2:** To what extent has the GCF ESMS been efficiently and effectively incorporated in **project design and approval given the climate mandate of the GCF** (from CNs, FPs and the simplified approval process (SAP) to iTAP)?
 3. **Portfolio Analysis Evaluation Question 3:** How efficient and effective has the ESMS been in ensuring **adequate monitoring and reporting** by the AEs of environmental/social management measures during the implementation of GCF-funded projects? The portfolio analysis is based on data sets of the different GCF operations, projects and programmes produced by the IEU's DataLab, including, among others, FPs,¹³ FAAs, APRs, FP risk factors, RPSP proposals and completion reports, and PPF proposals and reports.

3. SEMI-STRUCTURED INTERVIEWS, FOCUS GROUP DISCUSSIONS AND ONLINE PERCEPTION SURVEYS

12. The evaluation team gathered data from multiple stakeholders through key informant interviews and focus group discussions with GCF staff and external stakeholders. These interviews and perception surveys included, in particular, representatives of the Division of Country Planning (DCP), Division of Mitigation and Adaptation (DMA), Private Sector Facility (PSF), Office of Internal Audit (OIA), Office of Risk Management and Compliance (ORMC), Office of Portfolio Management (OPM), Office of the General Counsel (OGC), Accreditation Panel and IRM, as well as active observers from CSOs and private sector organizations (PSOs). In addition, various stakeholder groups such as the local CSOs and PSOs, national designated authorities (NDAs), AEs, executing entities (EEs), the GCF teams and headquarter offices of international accredited entities (IAEs), and other relevant stakeholders were interviewed using semi-structured interviews, focus group discussions and online

¹³ Data have been gathered concerning the inclusion of key ESS documents, including the environmental and social impact assessment, environmental and social management plan, environmental and social management framework, resettlement plans, indigenous peoples plans, the projects' ESS categories, reporting of the assessment and management of environmental and social risks and grievances reported during project implementation.

perception surveys. Two online perception surveys were conducted, one on the GCF's ESS and the other on the GCF's PPF. Further details on the online perception surveys are presented in greater detail below. The feedback from these interviews and surveys was used to triangulate information, validate data, and shape findings and conclusions. The team also conducted multiple interviews with a wide set of stakeholders outside the GCF, such as AEs, multilateral development banks (MDBs), other funds, CSOs and think tanks, during GCF Board meetings and country missions. The survey and interview protocols are included in Annex 2.

4. COUNTRY CASE STUDIES

13. The evaluation team undertook project-focused country case studies to take an intensive look at how the GCF's ESP and ESS standards are being applied in recipient countries (See Table I-3). These case studies are not intended to be representative of the overall GCF portfolio or experience, nor are they sufficient to make GCF-level conclusions on the application of ESP and ESS standards. Instead, the country studies provide an in-depth and grounded understanding of if and how effectively the ESP and the interim ESS standards have been applied in project design and during implementation to increase the likelihood of achieving positive environmental and social impacts and creating environmental and social co-benefits. During these visits, the evaluation team met and interviewed key stakeholders, including staff from the NDA, in-country representatives from AEs, EEs, national implementation partners and governmental agencies, as well as representatives from CSOs, PSOs and academia. A list of people consulted is presented in Annex 1. Seven countries (Morocco, Peru, Paraguay, Samoa, Zambia, Kazakhstan and Sri Lanka, see Figure I-2) were selected according to the criteria listed below. The ESS evaluation team also participated in country case studies being conducted in Egypt and Senegal for other evaluations conducted by the IEU.



Figure I-2. A map of selected countries for ESS case studies

14. **A shortlist of countries** was selected and then further refined using the following criteria:
- Achieve geographic coverage, including Africa; Latin America and the Caribbean; and Asia-Pacific
 - Ensure diversity of sector (public and private)
 - Ensure diversity of the size of projects (micro, small, medium, large)
 - Ensure diversity of AEs, including direct access entities (DAEs) and IAEs
 - Ensure diversity on ESS categorization (A, B and C)
 - Ensure diversity of focus (mitigation, adaptation, cross-cutting)

- Exclude countries that do not have approved projects

Table I-3. Selected country cases and projects

COUNTRY	REGION	SIZE PROJECT	HAVE AN APR	ESS CATEGORY	SECTOR	FOCUS	AE/DAE
Peru	LAC	Micro	Yes	C14	Public	Cross-cutting	Profonanpe
Paraguay	LAC	Small	No	I-3	Public	Mitigation	IDB
Paraguay	LAC	Medium	No	B	Public	Cross-cutting	FAO
Samoa	Asia-Pacific	Medium	Yes	B	Public	Adaptation	UNDP
Samoa	Asia-Pacific	Small	Yes	B	Public	Cross-cutting	ADB
Zambia	Africa	Medium	Yes	B	Public	Adaptation	UNDP
Zambia	Africa	Medium	No	B	Private	Mitigation	AfDB
Sri Lanka	Asia-Pacific	Medium	Yes	B	Public	Adaptation	UNDP
Kazakhstan	Asia-Pacific	Large	Yes	A	Private	Mitigation	EBRD
Morocco	Africa	Small	Yes	B	Public	Cross-cutting	ADA Morocco
Morocco	Africa	Large	Yes	I-2	Private	Cross-cutting	EBRD
Morocco	Africa	Medium	Yes	B	Public	Adaptation	AFD
Morocco	Africa	Medium	Yes	B	Public	Adaptation	EBRD
Morocco	Africa	Large	No	I-1	Private	Cross-cutting	AFD
Morocco	Africa	Large	No	I-1	Private	Mitigation	FMO

5. BENCHMARKING EXERCISE

- The main purpose of the benchmarking exercise was to assess the degree to which the GCF's ESP, ESS standards and thus ESMS have aligned with international best practices. We undertook this comparison cautiously while noting the unique character of the Fund. For benchmarking, we used other climate funds and development finance institutions. The overall objective was to offer insights into the challenges and opportunities identified by these funds that may be useful for the GCF as it gets ready to formulate and adopt its own ESS standards to replace the interim ESS standards.¹⁵

¹⁴ The DAE Peruvian Trust Fund for National Parks and Protected Areas (Profonanpe) was initially accredited ESS category C; however, they have since been re-accredited and upgraded to the ESS category B.

¹⁵ GCF/B.07/11, section IV.

16. The exercise chose funds that serve as operating entities of the Financial Mechanism of the UNFCCC. This is important since, in contrast to MDBs and other international development finance institutions, the GCF serves the Paris Agreement as an operating entity of its Financial Mechanism, and therefore must be guided by the principles and provisions of the Convention, which are not necessarily applicable to traditional development finance institutions.
17. However, we also noted that these funds are not the only sources of finance for climate change mitigation and adaptation. Lessons can also be drawn from traditional development finance: the exercise examined emerging lessons from MDBs and other institutions, including the World Bank, Climate Investment Funds (CIF), African Development Bank (AfDB), Asian Development Bank (ADB), Inter-American Development Bank (IDB), United Nations Development Programme (UNDP) and Netherlands Development Finance Company (FMO). We note that the CIF operates outside UNFCCC governance, is not accountable to the UNFCCC, and therefore does not report to the Conference of the Parties (COP) or receive its guidance.
18. The team focused on three subreviews:
 1. A review of the climate/environment funds' safeguards standards and related policies, monitoring and reporting systems, and accountability and grievance redress mechanisms (GRMs)
 2. An analysis of the similarities and differences between the funds, focusing on the extent of coverage of their safeguards in relation to international best practices, and alignment with the Paris Agreement principles and provisions
 3. A synthesis of emerging lessons relevant to the GCF's mandate and business model from traditional development funding, including the CIF, MDBs, UNDP and FMO

6. PERCEPTION SURVEY

19. The ESS evaluation team administered one online survey to understand the perceptions of stakeholders with respect to ESS and ESMS.¹⁶ This survey was administered through an online platform and a paper-based questionnaire, to key GCF stakeholders including NDAs, AEs, CSOs and PSOs, using integrated skip logic to ensure questions were targeted to the specific audience. The aim of the survey was to identify perceptions, attitudes, understanding and awareness in relation to the process and efficacy of the GCF's ESS and ESMS and areas for improvement. A total of 317 respondents registered to answer the perception survey, a combination of those who answered online as well as those who answered at the GCF Global Programming Conference in Songdo, South Korea, between 19 and 23 August 2019. Table I-4 provides a breakdown of respondents by group. Both surveys have been analysed individually. To avoid double-counting of respondents, all data collected using the hard-copy questionnaire were omitted in the analysis. A total of 258 respondents reacted to the survey, while a total of 211 responses were received through online submissions and 47 in hard copy. Only 211 respondents were considered for further analysis.

Table I-4. Group and number of respondents in a perception survey

GROUP OF RESPONDENTS	NUMBER OF RESPONDENTS
GCF Board member	2
Adviser to a GCF Board member	4
Accredited entity representative	49

¹⁶ In cooperation with the COA evaluation.

GROUP OF RESPONDENTS	NUMBER OF RESPONDENTS
Implementing or executing entity	12
National designated authority	20
Regional adviser to the GCF	1
GCF staff member	32
Member of a civil society organization	30
Member of a private sector organization	15
Others	46

20. A second survey was administered by the evaluation team to understand perceptions about the PPF. This was administered from 9 to 24 January 2020. This survey was administered through an online platform for NDAs and AEs, using integrated skip logic to ensure questions were targeted to both audiences (see Table I-5). The aim of the survey was to identify perceptions, attitudes, understandings and awareness in relation to the process and efficacy of the GCF's PPF and areas for improvement.

Table I-5. Group and number of respondents in a perception survey of the PPF

GROUP OF RESPONDENTS	NUMBER OF RESPONDENTS
International AE	11
National AE	12
Regional AE	4
NDA	33
Others	2
No response	26

G. LIMITATIONS OF THIS EVALUATION

21. The evaluation faced the following main limitations:
- **The availability, completeness and consistency of data in the APRs** affect the assessment of portfolio effectiveness. Data access was limited with respect to project-level information. Available APRs included very limited information concerning the implementation of the projects as most were undergoing early implementation stages. The APRs are also limited in scope and do not capture ESS realities in climate change projects. EEs in the countries visited expressed frustration with the APR, and the evaluation team agrees that it needs an urgent review.
 - **Incomplete data on some elements of the project lifecycle.** It was difficult to access data about different types of investments that the GCF makes, such as readiness support to DAEs (where there is a lack of explicit outcome indicators for ESS capacity-building), PPF progress and how ESS conditions from FPs are translated into FAA conditions. This, in turn, may or may not be captured when countries report progress under APRs.

- **Limited maturity of portfolio projects.** Most GCF projects are in early phases of implementation, with only 37 FPs reporting progress in APRs as of 8 July 2019. Most have not yet started, which has limited the scope of assessing higher-level results and sustainability. Since the APRs are only submitted to the GCF after one year of implementation, there were many projects in their first year whose data were not available. Additionally, only 23 PPF projects were approved at the time of our exploration. There are two United Nations Office for Project Services (UNOPS) progress interim reports on the current state of PPF activities.
- **Limited information about the ESP and PPF from the portfolio analysis.** Similarly, the ESP was recently adopted in 2018, and there is limited information about standards and processes in the documents that lay out the design and the process of their approval.
- **Several ESMS elements are still under development.** As outlined in Table II-1, several elements of the current ESMS are currently still under development, and therefore we were not able to review them.
- **The addition of the PPF to the review came at a later stage, following a Board decision.** While the data cut-off date (8 July 2019) for the PPF review section is identical with the one for the ESMS section of the report, additional consultations and the perception survey on the PPF were only done after 8 July 2019.
- **This review also does not look at operations and practices related to ESS *inside* the Fund.** That is, it does not examine the GCF's own practices in Songdo in terms of being environmentally sustainable and socially equitable.

H. STRUCTURE OF THIS DOCUMENT

22. This evaluation report is organized into eight chapters. **Chapter I** introduces the objectives, scope and methodology of the evaluation. **Chapter II** provides the context and rationale for this evaluation by introducing the ESS and ESMS. **Chapter III** evaluates the coherence of the GCF's ESS, ESP and ESMS in the context of the UNFCCC principles, and in comparison with other climate funds and development finance institutions, highlighting similarities and differences. **Chapter IV** addresses if and how the ESS, ESP and ESMS are integrated into the GCF accreditation process, taking account of the different institutional identities of IAEs and DAEs. It reviews the role of the RPSP and PPF in supporting AEs to comply with GCF ESMS and ESS standards. **Chapter V** evaluates how the ESMS is applied within the project origination, preparation, and approval process, from CNs to FPs and FAAs. It also highlights the PPF. **Chapter VI** analyses how the ESMS is applied to project implementation, with a focus on GCF monitoring and evaluation concerning ESS. Additionally, **Chapter VI** examines the likelihood of impacts of the current GCF portfolio regarding benefits and/or positive outcomes of the proposed funded activities, beyond ensuring that no risk and no harm are inflicted by the project. **Chapter VII** is a special case study that examines the coherence of the REDD+ pilot programme with the Warsaw Framework for REDD+ (WFR). Finally, **Chapter VIII** offers conclusions and recommendations.

Chapter II. CONTEXT: THE GCF'S ESS AND ESMS

A. GCF OBJECTIVES AND GUIDING PRINCIPLES AS PER THE GOVERNING INSTRUMENT

1. The Fund will contribute to the achievement of the ultimate objective of the UNFCCC: it is expected to contribute to promoting a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. As set out by both the Operational Manual and the Governing Instrument of the GCF,¹⁷ the relevant principles and provisions on ESS and ESMS for the Fund are as follows:¹⁸
 - The GCF pursues a **country-driven approach** to promote and strengthen engagement at the country level through **effective involvement of relevant institutions and stakeholders**.
 - The Fund will be scalable and flexible and will be a continuously learning institution **guided by processes for monitoring and evaluation**.
 - It will strive to maximize the impact of its funding for adaptation and mitigation and seek a balance between the two **while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach**.

B. COP DECISIONS GUIDING GCF DEVELOPMENT AND OPERATIONS

2. As set out by the Operational Manual of the GCF, the policies, programmes and projects of the GCF are, in part, driven by the guidance of the COP. The relevant decisions for the ESS and ESMS of the Fund are as follows:
 - At COP 16 held in Cancun, by decision 1/CP.16, Parties established the GCF as an operating entity of the Financial Mechanism of the Convention under Article 11. The GCF is governed by the GCF Board. The Board is accountable to and functions under the guidance of the COP to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows.
 - At COP 21, the COP decided that the GCF shall serve the Paris Agreement.
 - At COP 22, the COP decided to transmit its guidance to the GCF.

C. THE GCF STRATEGIC PLAN

3. During the initial resource mobilization period, the GCF's strategic plan is a living document, which guides the Board in addressing policy gaps and investing the Fund's resources in transformational climate actions in a country-driven manner. Out of the five strategic measures set out, the following aspects are relevant to ESS and ESMS:
 - The RPSP supports the capacity development of developing countries so they can access and implement GCF projects. This includes capacities with regard to ESS.

¹⁷ UNFCCC document FCCC/CP/2011/9/Add.1. Available at <http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf>.

¹⁸ GCF Operational Manual, 2018, p. 23.

- The PPF supports the development of proposals by AEs. This extends to the ESS requirements of proposals.
- As per the mandate from the seventeenth meeting of the Board (B.17), the Fund is beginning to work on “complementarity and coherence” with the Global Environment Facility (GEF), the Adaptation Fund (AF) and the CIF. Complementarity is expected to be sought with regard to ESS requirements.
- The Fund is expected to introduce results-based payment (RBP) for REDD+ and evaluate how RBPs could apply to other sectors of GCF activities. REDD+ applies specific safeguards requirements and expects an ex post evaluation of their application.

D. WHAT IS THE ESMS?

4. At B.07, the Board¹⁹ requested the Secretariat, in consultation with the Accreditation Committee and the Accreditation Panel, as needed, “to develop an ESMS to enable the GCF to identify, analyse, avoid, control, and minimize the potential adverse environmental and social impacts of its activities, maximize environmental and social benefits, and improve the environmental and social performance of the GCF and its activities consistently over time.” (See Figure II-1 for a schematic.)

1. PROCESS FOR ESMS

5. In response to this request, the Secretariat conducted two rounds of public consultations related to the ESMS and its structure. Subsequently, a draft ESP was presented to the Board. Further inputs from the Board were received by the Secretariat, including a request for further consultation with the Board and active observers. On 27 October 2017, the Secretariat solicited further inputs on the draft ESMS and ESP from the members of the Board and active observers. The inputs received were integrated into the current ESMS structure and the draft ESP. The Board decision B.19/10, paragraph (a), summarizes the progress in developing the GCF ESMS, describes the structure of the envisaged ESMS and proposes the next steps for further developing the various ESMS elements.
6. In the Board document, the ESMS is defined as “an overarching framework for achieving improvements in environmental and social outcomes while addressing any unintended adverse impacts of all the GCF-financed activities.” It provides an opportunity for the GCF to incorporate environmental and social considerations into its decision-making and operations in ways that not only include safeguard measures of “do no harm”, but also identify opportunities to “do good” and improve environmental and social outcomes.²⁰ The same Board decision determines that the ESMS will enable the GCF to integrate environmental and social considerations in a systematic, coherent and transparent manner at **three entry points**:
 1. **At the facilities and operations level**, through the environmental and social management practices of the GCF, by avoiding and minimizing any adverse environmental impacts from its own activities and operations while *promoting* [italics ours] environmental and social sustainability, and ensuring institutional capacity and stakeholder involvement, among other things.
 2. **At the activities level**,²¹ through environmental and social due diligence and risk assessment, and through a management framework tailored to the nature and scale of the activities and the magnitude of environmental and social risks and impacts.

¹⁹ GCF B.07/02.

²⁰ GCF/B.19/06, Section V, paragraph 10.

²¹ “Activities” refer to programmes, projects and subprojects.

3. **At the policy level**, by establishing the policies and processes for integrating sustainability considerations into the strategies and decisions.
7. The intended structure of the ESMS has the following elements (see Table II-1 and Figure II-1, noting that not all elements are in place at present), consistent with decision B.07/02, paragraph (n). Table II-1 outlines the exact language included in GCF/B.19/06.

Table II-1. Status of ESMS elements

ELEMENTS OF THE GCF ESMS	PROGRESS IN THEIR DEVELOPMENT OR SET-UP
<p>An ESP that sets out the objectives, scope, principles, roles and responsibilities, and general requirements to effectively manage environmental and social risks and impacts and improve outcomes. The policy presents the commitments of the GCF and articulates the principles to which the GCF will hold itself accountable.</p> <p>The ESP is operationalized at the Fund level at two key stages: during the process of accreditation; and during the process of project and programme review. Capacity and commitment of an AE or intermediary to manage the execution of the Fund's ESS at the institutional level is expected to be assessed during the accreditation process, whereas the initial FP approval process²² verifies that the specific project or activity is consistent with the ESS (e.g. IFC Performance Standards 2–8 ad interim).</p>	<p>The ESP was adopted by the Board in decision B.19/10.</p>
<p>Interim ESS standards require that all potential environmental and social risks and impacts from GCF-financed activities are identified, assessed and addressed through appropriately scaled management measures that avoid, and where avoidance is not possible, minimize and mitigate, residual impacts,²³ and where such impacts cannot be avoided and mitigated, they are remedied, restored or provided with adequate and equitable compensation.</p>	<p>The GCF adopted “on an interim basis, the Performance Standards of the IFC, which will also serve as a basis for the development of the Fund’s own ESS.”²⁴ The IFC’s Performance Standards were first introduced in 2006 and later updated in 2012. The IFC Performance Standards adopted comprise an overarching standard on Assessment and Management of Environmental and Social Risks and seven standards covering specific risk areas, and their use and implementation are guided by the IFC Guidance Notes.²⁵</p>
<p>The indigenous peoples policy’s (IPP) overall objective “<i>is to provide a framework for ensuring that GCF activities are developed and implemented in such a way that fosters full respect for indigenous peoples’ and their members’ dignity, human rights, and cultural</i></p>	<p>The GCF Board adopted the GCF-wide IPP at B.19; it highlights that indigenous peoples are unique and a distinct stakeholder of the GCF and refers to the international human rights instruments, including binding treaties and the United Nations Declaration on the Rights of Indigenous Peoples.²⁶ With the IPP</p>

²² Decision B.07/03.

²³ In decision B.07/02, paragraph (c), the Board adopted the IFC Performance Standards for Environmental and Social Sustainability as the GCF interim ESS standards until the GCF develops its own ESS standards, which will build on evolving best practices, be completed within a period of three years after the GCF becomes operational, and involve inclusive multi-stakeholder participation.

²⁴ GCF/B.07/02.

²⁵ IFC, “International Finance Corporation’s Guidance Notes: Performance Standards on Environmental and Social Sustainability” (1 January 2012). Available at <http://www.ifc.org/wps/wcm/connect/efdaaa8043649142947696d3e9bda932/>.

²⁶ Decision B.19/11; GCF/B.19/43, Annex XI.

ELEMENTS OF THE GCF ESMS	PROGRESS IN THEIR DEVELOPMENT OR SET-UP
<i>uniqueness so that they (a) receive culturally appropriate social and economic benefits; and (b) do not suffer adverse effects during the development process.”</i>	approved, the GCF follows decision B.15/01, where the Board requested the Secretariat to develop a Fund-wide IPP.
Related policies and practices that represent the rules and governance frameworks of the GCF relevant to environmental and social management. These include information disclosure, GRM, monitoring and accountability, risk management, evaluation policy and others, as well as those that may still be developed that are relevant to the design and implementation of the ESMS.	These are currently under development (see Table II-2). The gender policy and action plan are currently being updated. The evaluation policy includes as one of its criteria sustainability, impact and unintended consequences, all of which have implications for the ESS.
An ESMS manual consisting of management processes and procedures that assist in implementing the ESMS and ESP and the application of the ESS standards. It also describes the institutional and governance arrangements (e.g. roles and functions) of the GCF and how the GCF will carry out its responsibilities described in the ESP.	This is currently under development.
Stakeholder engagement that delivers meaningful and active participation of the GCF stakeholders, including NDAs, focal points and CSOs. Such participation requires that activities are implemented in a manner that takes into account the views of the various stakeholders, including vulnerable groups and individuals (including women, children, people with disabilities, and people marginalized by virtue of their sexual orientation and gender identity), local communities, indigenous peoples, and other marginalized groups of people and individuals who are affected or potentially affected by GCF-financed activities.	The Secretariat has developed initial guidance on designing and ensuring meaningful stakeholder engagement on GCF-financed activities, available at https://www.greenclimate.fund/documents/meaningful-stakeholder-engagement .
Guidance and tools to assist the GCF and entities in meeting the requirements of the ESP and ESS standards. The guidance and tools are expected to include normative practices on promoting the sustainability of GCF operations and activities, stakeholder engagement including consultations, country coordination, obtaining the necessary consent from indigenous peoples, and support and acceptability from local communities, vulnerable and socially excluded populations and individuals that are affected or potentially affected by GCF-financed activities.	These are currently under development.

Note: This table outlines the exact language included in GCF/B.19/06, Section V, paragraph 11.

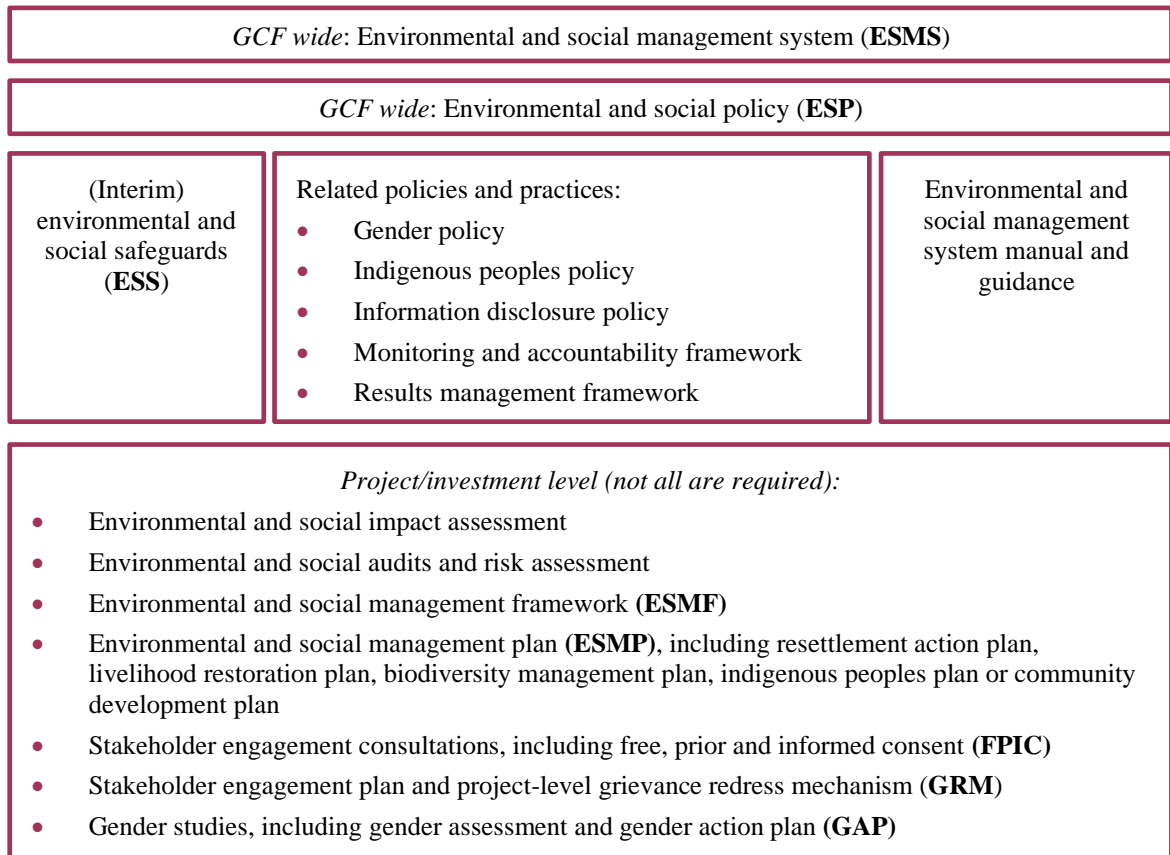


Figure II-1. Key system- and investment-level environmental and social policy and guidance requirements in the GCF

8. According to decision B.07/02, paragraph (d), the GCF aimed to complete the process of developing the ESS standards within three years after the GCF became operational, with inclusive, multi-stakeholder participation. However, this has not been done yet. The development of the ESS standards is likely to overlap with the development of the ESMS manual, providing opportunities for synergy. The ESMS manual, the ESP and other relevant policies and practices may need to be updated when the ESS standards are finalized. In developing the ESS standards, the Secretariat will present to the Board for its consideration the overall approach and the process for developing the ESS standards, with inputs from the stakeholders. As shown in Table II-2, the ESMS has actual or potential linkages with the existing relevant policies and practices of the GCF.

2. THE ESP OF THE GCF

9. As an overarching policy, the ESP formulates processes and procedures of how the GCF “*integrates environmental and social considerations into its decision-making and operations to effectively manage environmental and social risks and impacts and improve outcomes.*”²⁷
10. The policy states further that it “*presents the commitments of GCF and articulates the principles and standards to which GCF will hold itself accountable.*” Given this approved policy, the GCF will require that all GCF-supported activities commit to enhancing equitable access to development

²⁷ Decision GCF/B.19/10, paragraph (b) and Annex X, in GCF/B.19/43.

benefits, consider vulnerable and marginalized populations and groups (e.g. local communities and indigenous peoples), besides avoiding and mitigating adverse environmental and social impacts.²⁸

11. The ESP further illustrates this through a set of **guiding principles**:

- Integration of environmental and social sustainability
- Transboundary risks and impacts approach
- Scaled risk-based approach
- Fit-for-purpose approach
- Equality and non-discrimination
- Mitigation hierarchy
- Coherence and links with relevant risks and impacts
- Coherence and links with relevant policies and practices of the GCF
- Continuous improvement and best practices
- Stakeholder engagement and disclosure
- Gender-sensitive approach
- Knowledge-sharing
- Harmonized application of environmental and social requirements
- Compliance with applicable laws
- Consistency with UNFCCC REDD+ safeguards
- Labour and working conditions
- Indigenous peoples
- Human rights
- Biodiversity

Table II-2. ESMS linkages with the existing relevant policies and practices of the GCF

EXISTING FRAMEWORKS AND POLICIES	ACTUAL OR POTENTIAL LINKAGES (LANGUAGE FROM GCF/B.19/06)
Accreditation framework	In line with the initial guiding framework for GCF accreditation process (Annex I to decision B.07/02) and through the fit-for-purpose approach to accreditation (Annex II to decision B.08/03), the accreditation process considers the capacity, competency and track record of entities in applying their own environmental and social safeguards, and the consistency with the GCF ESS standards.
Results management framework ²⁹	The results of the adaptation and mitigation actions are enhanced by the implementation of the ESMS and the application of the GCF ESS standards.
Economic and financial feasibility analysis	The project's economic and financial feasibility analyses consider the expenses and savings from the environmental and social risk mitigation and management processes. It does so in a timely and integrated manner.

²⁸ Ibid.

²⁹ Decisions B.07/04 and B.08/08.

EXISTING FRAMEWORKS AND POLICIES	ACTUAL OR POTENTIAL LINKAGES (LANGUAGE FROM GCF/B.19/06)
Monitoring and accountability framework	The framework provides the monitoring and reporting requirements at the accredited entities' institutional level (accreditation) and GCF-financed activities ³⁰ level and covers compliance performance and reporting processes pursuant to the ESS standards.
Information disclosure policy	The policy supports the commitments of GCF to transparency and accountability in all aspects of its operations and to strengthen public trust. ³¹ The policy promotes effective and meaningful stakeholder engagement by the GCF and the accredited entities by making available the timely, understandable, relevant and accessible environmental and social information of GCF-financed activities.
Gender policy and action plan	The GCF gender policy and action plan details the commitment of the GCF to efficiently contribute to gender equality and ultimately bring about sustainable climate change results, outcomes and impacts. ³² The gender policy and action plan complement the requirements of the GCF interim ESS standards, particularly by enhancing equitable access to development benefits, gender responsiveness and inclusiveness. The policy and action plan are applied in conjunction with the ESMS.
Indigenous peoples policy	The policy supports the GCF in incorporating considerations related to indigenous peoples into its decision-making while working towards the goals of climate change mitigation and adaptation. The policy enables the GCF to examine, control, eliminate and reduce the adverse impacts of its activities on indigenous peoples in a consistent way and to improve outcomes over time.
Risk-management framework, guidelines and register ³³	These include the risk-management framework, risk and investment guidelines for the public and private sectors, the updated risk register, risk appetite statement and risk guidelines for funding proposals, as these apply to the operations of the GCF. The risk register acknowledges the role of the GCF interim ESS standards in mitigating risks, particularly those related to the failure of entities to comply with applicable laws.
REDD+ RBPs ³⁴	The REDD+ RBPs takes into consideration the consistency of the GCF ESS standards and other relevant policies complementing the requirements of the Cancun Safeguards.
Simplified approval process ³⁵	The SAP for activities proposed for GCF funding that entails full consideration of the ESMS, particularly the ESS standards, ensuring that the appropriate environmental and social requirements are met by activities eligible under such approval process.
Evaluation and the Independent Evaluation Unit	Through the GCF evaluation process and the IEU, evaluations may be undertaken on the effectiveness of implementing the GCF ESS standards.

³⁰ Decision B.11/10.

³¹ Decision B.12/35.

³² Decision B.09/11, Annexes XIII and XIV, the policy and action plan is currently being updated.

³³ Decision B.17/11.

³⁴ Decision B.18/07, Annexes XI.

³⁵ Decision B.18/06, Annex X.

EXISTING FRAMEWORKS AND POLICIES	ACTUAL OR POTENTIAL LINKAGES (LANGUAGE FROM GCF/B.19/06)
Independent Redress Mechanism	The IRM was mandated under the Governing Instrument for the GCF to redress the grievances and complaints by communities and people on adverse project impacts that result or may result from an action or an omission to follow the operational policies and procedures of the GCF, including the GCF ESS standards. ³⁶

Note: This table outlines the exact language included in GCF/B.19/06.

E. SECOND-LEVEL DUE DILIGENCE

12. Given the GCF's current business model, in which investments are managed and executed through AEs and EEs, the GCF faces the challenge of effective and efficient due diligence from the Secretariat at different stages of GCF operations. This challenge is expressed particularly in the accreditation process, in the project design and approval process, and in the subsequent monitoring and reporting activities during implementation of GCF-funded activities. The process of clarifying the scope of projects and aligning on the taxonomy of existing policies and standards is called "second-level due diligence".³⁷ Second-level due diligence focuses in detail on activities, along with the project design and approval process, from the interaction between the AE and DMA/PSF, through the Secretariat and iTAP reviews, until the FP is ready for Board approval.³⁸ In this respect, the first-level due diligence refers to activities conducted by the AE. Furthermore, the GCF's risk-management framework, based on the Committee of Sponsoring Organizations of the Treadway Commission framework,³⁹ suggests that the appropriate compliance risk management is also to be done during the implementation of GCF-funded activities.⁴⁰ In Chapter III and Chapter IV, we examine the implications of the GCF's business and current focus on second-level due diligence for ESS and ESMS.

³⁶ Decision B.06/09, Annex V.

³⁷ Decision B.07/03 in GCF/B.07/11 and Annex VII: Project and programme activity cycle.

³⁸ Ibid.

³⁹ See <https://www.coso.org/Pages/default.aspx>.

⁴⁰ Decision B.23/14 and Annex VIII, in GCF/B.23/23.

Chapter III. COHERENCE OF THE ESS AND ESMS

KEY RECOMMENDATIONS

- **The GCF's planned revision of its interim ESS standards needs to address the identified gaps and be customized to the mandate of the GCF.** These should include principles around environmental and social performance and co-benefits. To the extent possible, revision and development may align with other climate funds likely to simplify the process of accessing climate finance. However, this harmonization should not ignore GCF's unique needs and climate mandate.
- **The GCF's planned revision of its interim ESS standards and the development of its ESMS must ensure environmental and social performance, and co-benefits are integrated into its overall system.** The Secretariat **must set up guidance, reporting and monitoring systems not just for environmental and social risks, but also for performance and co-benefits.** The development of the ESMS must consider (a) specific and tailored guidance on newly adopted ESS, clarifying how the principles of the ESP are integrated in screenings, environmental and social assessments, and due diligence processes; (b) specific guidance for human rights due diligence; (c) a stakeholder engagement policy; (d) specific and tailored guidance for the implementation of the gender policy; and (e) monitoring and reporting tools, including a monitoring policy for ESS, environmental and social performance, and co-benefits.
- **The GCF must address that some developing country Parties are not able to conform with the GCF interim ESS standards.** This will amplify when the GCF develops its safeguards. The GCF ESS/Sustainability team must actively seek to learn from other agencies' experience with direct access and strengthen and focus the RPSP and PPF to help support AEs with regard to ESS.
- The GCF must strengthen and implement processes to identify co-benefits and ensure they are monitored and reported upon with rigour and credibility. It should also adopt KPIs to guide projects on impact reporting regarding ESS.

KEY FINDINGS

- The interim ESS standards (i.e. the IFC Performance Standards) are not fit for purpose for the GCF. The interim ESS standards are not aligned with the GCF's mandate and its ESP. They do not focus on generating – and integrating – positive, measurable social and environmental impacts and instead focus on assessing, mitigating and managing environmental and social risks and impacts.
- A range of gaps exists in the GCF's interim ESS standards concerning the Paris Agreement's provisions and in relation to other climate funds' ESS, noting the GCF places insufficient focus on human rights, gender and equity concerns. Notably, the GCF has not adopted any guidance on how to screen and assess potential adverse effects on human rights, either for itself or for AEs.
- Regarding the achievement of environmental and social outcomes (or co-benefits), the GCF has a narrow and limited focus on "how" to achieve them in the design, approval and monitoring stages of funded projects/programmes in comparison to other climate funds."
- A key challenge for efficient access to financial resources by developing countries is demonstrating adherence to the GCF's interim ESS standards. Addressing this challenge is key for the GCF to meet Article 9 of the Paris Agreement and the GCF's strategic plan.
- The GCF has engaged in discussions with the GEF and the AF to enhance complementarity at fund, national and activity levels. But this has not been operationalized.

A. INTRODUCTION

1. This chapter assesses the relevance and coherence of the GCF's ESS and ESMS within the Fund in the context of the UNFCCC principles and compares these with other funds, including climate funds⁴¹ and development finance institutions. It assesses to what extent GCF policies and standards are coherent with and relevant to the institution's mandate and its overall structure, and if these policies and standards are coherent and complementary vis-à-vis other actors within the climate change landscape. In this way, this chapter speaks directly to the two underlying evaluation criteria, relevance and coherence. **Three key questions** are discussed and analysed in this chapter:
 - To what extent are the GCF's current ESP/standards coherent with **global commitments and international law principles** on human rights and environmental obligations?
 - To what extent are the GCF's ESP and standards coherent with and relevant to environmental and social policies and standards applied in the **climate change landscape**?
 - How coherent are the GCF's ESP and standards with other **GCF policies** and strategic goals and the GCF institutional structure?
2. The methods employed for this chapter include, among others, (a) a desk review of relevant documents – in particular, the policies relevant to the ESMS, including the GCF's ESS, ESP, gender policy and action plan, indigenous peoples policy (IPP) and IRM; and (b) a desk review and benchmarking of safeguards policies applied in the international climate change landscape and relevant evaluation reports.

B. DATA AND ANALYSES

3. Here we discuss the three questions introduced above.

1. TO WHAT EXTENT ARE THE GCF'S ESP AND SAFEGUARD STANDARDS COHERENT WITH GLOBAL COMMITMENTS AND INTERNATIONAL LAW PRINCIPLES ON HUMAN RIGHTS AND ENVIRONMENTAL OBLIGATIONS?

4. To understand to what extent the GCF's ESP and social and environmental safeguards standards are coherent with global commitments and international law principles, it is imperative to examine and consider the UNFCCC's and the Paris Agreement's specific principles and provisions on ESS (see Table III-1). Additionally, we examined the implications of Article 9 of the Paris Agreement for the GCF ESS and ESMS.
5. **Specific principles and provisions in the UNFCCC and the Paris Agreement:** The UNFCCC commits Parties to minimize adverse economic, social and environmental impacts that may result from the implementation of measures taken to mitigate or adapt to climate change impacts ("response measures").⁴² Similarly, Paragraph 7 of the Preamble of the Paris Agreement restates this, noting that measures to combat climate change, through so-called "response measures", may have impacts on Parties and must be addressed when implementing the Agreement.⁴³ The Paris Agreement adopted several principles and provisions on ESS in its preambular text. These are categorized in Table III-1.

⁴¹ The term "climate funds" as used in this report refers to the international entities that operate according to standards and systems designed to ensure that they adhere to rules set for them by their respective boards and UNFCCC decisions.

⁴² UNFCCC, 1992, entered into force on 21 March 1994. Article 4, paragraph 8.

⁴³ Paris Agreement, 2015, in force November 4, 2016. UN Doc FCCC/CP/2015/19. Article 4.15, and UNFCCC, 1992, art 4.8 and 4.10.

Table III-1. Paris Agreement principles and provisions on ESS

PARIS AGREEMENT SAFEGUARD PROVISIONS	ELABORATION OF THESE PROVISIONS
Climate and sustainable development (Impacts on climate change and measures, interlinkages with sustainable development, eradication of poverty, food security, just transition of the workforce and sustainable lifestyles (paragraphs 8–10 and 16 of the Paris Agreement))	<p>Preambular paragraphs 8–10⁴⁴ express interlinkages between climate change and sustainable development:</p> <p>Paragraph 8 emphasizes the relationship between climate change actions and “<i>equitable access</i> to sustainable development and the eradication of poverty” (italics ours). The unique concept of “equitable access to sustainable development” has been developed under the UNFCCC decisions.⁴⁵</p> <p>Paragraph 9 points to the interrelated challenges of avoiding adverse effects on the agricultural sectors that some climate change mitigation measures may have, and of accelerating both mitigation and adaptation to avert detrimental climate change impacts on food security.</p> <p>Paragraph 10 and 16 focus on the need for “ensuring a <i>just transition of the workforce</i> and the creation of decent work and quality jobs” (italics ours). It confirms the recognition of Parties that the transition towards a low-emission, climate-resilient development will involve a radical departure from the economic model of today, and the implications and potential conflict with international and national legal labour provisions.⁴⁶</p>
Climate change and human rights (paragraph 11)	<p>Paragraph 11 sets out that Parties “should, when taking action to address climate change, respect, promote and consider their respective obligations on <i>human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity.</i>”⁴⁷</p> <p>While other multilateral environmental agreements’ preambles have clauses to ensure mutual supportiveness of different regimes,⁴⁸ the Paris Agreement goes beyond such mutual supportiveness towards a clear incorporation of human rights into the Paris Agreement. The paragraph aims not only to prevent problems regarding impairment of human rights through mitigation or adaptation projects, such as some that have arisen in the past,⁴⁹ but to mainstream such human rights considerations when designing and implementing climate actions.</p>
Conservation, ecosystem integrity and the protection of biodiversity (paragraphs 12–13)	<p>These two paragraphs take up issues of sustainable development with a focus on environmental conservation.</p> <p>Paragraph 12 reaffirms the importance of conserving and <i>enhancing</i> sinks and reservoirs, which is linked to operative provisions of the Agreement (Article 5, italics ours).</p> <p>Paragraph 13 integrates the terms “Mother Earth”, “climate justice”, and “integrity of all ecosystems” and includes specific mentions of oceans and the protection of biodiversity. (This responds to long-standing concerns that Parties do not sufficiently consider biodiversity and ecosystem integrity risks and that</p>

⁴⁴ The preamble of an international treaty usually contains the objectives and considerations that guide the Parties. They do not create substantive norms but are of great relevance for the interpretation and to guide the implementation of a treaty. Unique for the Paris Agreement is the fact that it is the first multilateral environmental agreement to incorporate references to human rights, the rights of particular groups, gender equality and inter-generational equity. The international community considers this preamble “revolutionary”.

⁴⁵ Is appears as part of the “Shared vision” in the three main decisions under the Bali Action Plan. See Decision 1/CP.16 para 6, Decision 2/CP.17 para 2 and 4, and Decision 2/CP.18 para 2 and 3.

⁴⁶ Sean Stephenson, “Jobs, justice, climate: Conflicting State Obligations in the International Human Rights and Climate Change Regimes”, *Ottawa Law Review*, vol. 42 (2010), p. 155.

⁴⁷ Preamble, Paris Agreement (2015).

⁴⁸ E.g. see Cartagena Protocol on Biosafety to the Convention on Biological Diversity preambular clauses 9–11.

⁴⁹ Morten Haugen, “What Role for Human Rights in Clean Development Mechanism, REDD+ and Green Climate Fund Projects?”, *Nordic Environmental Law Journal*, 1 (2013), p. 51.

PARIS AGREEMENT SAFEGUARD PROVISIONS	ELABORATION OF THESE PROVISIONS
	rights-centred approaches to natural resources management beyond traditional approaches should be considered when taking climate action.)
Procedural duties, including access to information and participation (paragraph 14)	Paragraph 14 affirms the importance of education, training, public awareness, public participation and public access to information when taking action to address climate change. This is implemented in paragraphs 71 to 83 of decision 1/CP.21. Public access to information, public participation and access to justice are well-established procedural obligations under international environmental law. ⁵⁰

6. **Benchmarking the GCF interim ESS standards:** The evaluation team benchmarked the GCF’s interim ESS (the IFC Performance Standards; see Box III-1) against the principles and provisions set out by the Paris Agreement, which are embodied in international environmental and human rights agreements.

Box III-1. The GCF interim environmental and social safeguards

<ol style="list-style-type: none"> 1. Assessment and management of social and environmental risks and impacts 2. Labour and working conditions 3. Resource efficiency and pollution prevention 4. Community health, safety, and security 5. Land acquisition and involuntary resettlement 6. Biodiversity conservation and sustainable management of living natural resources 7. Indigenous peoples 8. Cultural heritage
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7. The results of this gap analysis are presented in detail in Table 10 of the benchmarking report (see Annex 5). A high-level summary of the identified gaps is provided below. The gap analysis is meant to provide the GCF with a broad overview of areas that may require further attention when updating the GCF’s ESS, and its recommendations are not prescriptive. Additional review and targeted analyses will be required for that.

- **Fair and equitable benefit sharing.** The essential requirements of “fairness” and “equity” mean that the communities that stand to be affected by any benefit-sharing arrangement should have an active role in its design and have access to the resource (or the benefits derived from it) based on mutually agreed terms.⁵¹
 - The GCF’s interim safeguards do not explicitly require that benefit-sharing arrangements are based/adopted on mutually agreed terms. IFC Performance Standard 1 requires consultation with communities on matters that affect them directly, including in the sharing of development benefits and opportunities, and Performance Standard 7 requires that benefits are shared equitably and fairly.

⁵⁰ See Rio Declaration on Environment and Development (Rio Declaration) (1992) principle 10.

⁵¹ In accordance with the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing on Benefits Arising from the Utilization to the Convention of Biological Diversity (CBD) 2010, Universal Declaration of Human Rights 1948, International Labour Organization (ILO) Convention No. 169, 1989, and UNDRIP 2007.

- **Prohibit sexual harassment.**⁵²
 - The GCF's interim safeguards do not explicitly require that projects are screened for potential sexual harassment (IFC Performance Standard 1). The GCF's recently adopted policy on the protection from sexual exploitation, sexual abuse and sexual harassment is applicable to the accreditation and reaccreditation processes but does not explicitly apply to the screening and due diligence of activities proposed for GCF financing. Given this, the Sexual Exploitation, Sexual Abuse, and Sexual Harassment policy cannot be used to correct limitations in the current interim ESS standards.
- **Effective access to remedy/grievance redress.** Effective access to GRMs requires ensuring that any person whose rights or freedoms (as recognized by domestic and international law) are violated shall have access to an effective remedy.⁵³ This includes failures relating to the obligation to provide information necessary for effective participation, or the failure to carry out adequate consultations.⁵⁴
 - The IFC Performance Standards do not explicitly cover these essential aspects of effective access to remedy. Given this, the GCF's interim standards do not ensure access to GRMs in the case of failures relating to the obligation to provide information necessary for effective participation, or in the case of failure to carry out adequate consultations.
- **Recognition and protection of indigenous peoples' rights.** The recognition and protection of indigenous peoples' rights require due consideration of the full measure of human rights and fundamental freedoms without hindrance or discrimination.⁵⁵ These include the right to self-determination, the right to fair and equal redress, rights to lands and gender equality, among others. International law recognizes the collective property rights of indigenous peoples to the lands and territories they traditionally possess.
 - The GCF's interim safeguards (IFC Performance Standard 7) do not recognize the rights of indigenous peoples concerning lands in their possession and only apply to those indigenous lands "traditionally owned or under customary use", not to those lands in traditional possession.
- **Free, prior and informed consent (FPIC).** We note that the GCF IPP defines FPIC and that the Secretariat has developed operational guidelines that include the application of FPIC and that are to be followed by all relevant parties.
 - However, there are clear limitations concerning the interpretation of the term "consent" in the GCF's interim safeguards.⁵⁶ Additionally, there is no explicit requirement to obtain FPIC before accessing genetic resources from the territory of indigenous peoples. This was also witnessed during the evaluation's country missions in two countries.
- **Public health.** There is a widely recognized mandate to assess potential risks for public health and, when these exist, to prioritize avoiding impacts over minimizing impacts.

⁵² In accordance with the International Covenant on Civil and Political Rights (ICCPR) 1966; International Convention on the Elimination of All Forms of Racial Discrimination (CERD) 1965; International Covenant on Economic, Social and Cultural Rights (ICESCR) 1966; and Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) 1979.

⁵³ ICCPR, Article 2.

⁵⁴ Rio Declaration, Principle 10.

⁵⁵ ILO 169, Article 3. UNDRIP, articles 1, 2 and 9. African Convention on the Conservation of Nature and Natural Resources, 1968, Article 17.

⁵⁶ Under the IFC Performance Standards, the term "consent" does not mean consent in accordance with international legal guidance and best practices. Rather, it involves conducting a robust community-consultation process, recording the process in writing, and concluding that such consultation is sufficient to meet FPIC standards and the need to mitigate risks.

- The GCF’s interim safeguards refer to international industry good practices and other internationally recognized sources, without reference to standards used by the World Health Organization or other standards that are not industry focused. There is no provision stating whether there might be cases in which minimization should not be an option, given that it may still carry negative consequences for human health. There is also no clear protocol to identify the groups most likely to be affected by public health risks. There is a generic reference to the affected community, but no mention of particularly vulnerable groups, except briefly under IFC Performance Standard 1.
8. **Implications of Article 9 of the Paris Agreement for the GCF ESS and ESMS:** Under Article 9 of the Paris Agreement, the GCF must ensure efficient access to financial resources for developing country Parties – in particular, least developed countries and small island developing States.⁵⁷ **The evaluation literature has long noted that a key challenge for efficient access to financial resources by developing countries is demonstrating conformity with ESS standards.**⁵⁸
9. **The experience of the AF provides valuable insights for addressing this challenge.** The AF pioneered direct access⁵⁹ and has 31 national implementing entities (NIEs), of which half are government ministries.⁶⁰ The AF’s success with direct access can in part be attributed to the fact the AF’s safeguards are structured around 15 succinct environmental and social principles (see Table III-2) that all AF-supported programmes and projects are expected to meet.⁶¹ These principles are complemented by guidance on accreditation standards and technical guidance notes for their gender policy and ESP.⁶² The AF’s environmental and social principles are broad and all-encompassing and are unique in that they generally do not include thematic-specific actions required to comply with the principle, and thus provide greater levels of flexibility for customization according to the countries’ and project/programme’s particular circumstances.⁶³

⁵⁷ Article 9 of the Paris Agreement states that the institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans. Article 9 available at <https://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf#page=28>.

⁵⁸ UNFCCC, Standing Committee on Finance, Forum on Climate Finance Architecture (2018). Reports available at <https://unfccc.int/topics/climate-finance/meetings--events/scf-forum>. See also I. Masullo, G. Larsen, L. Brown, and L. Dougherty-Choux, “‘Direct Access’ to Climate Finance: Lessons Learned by National Institutions”, Working Paper. (Washington, D.C., World Resources Institute, 2015). Available at <http://www.wri.org/publication/direct-access>.

⁵⁹ I. Masullo, G. Larsen, L. Brown, and L. Dougherty-Choux, “‘Direct Access’ to Climate Finance: Lessons Learned by National Institutions”, Working Paper (Washington, D.C., World Resources Institute, 2015). Available at <http://www.wri.org/publication/direct-access>. Through direct access, NIEs are able to directly access financing and manage all aspects of climate adaptation and resilience projects, from design through implementation to monitoring and evaluation. The logic behind this approach is to increase the level of country ownership, oversight and involvement in adaptation activities, and to create stronger accountability of the recipient country to the AF. It thus removes the intermediary role by transferring the implementing agency functions from third parties to the beneficiary countries themselves.

⁶⁰ Adaptation Fund, “Efficiency and Effectiveness of the Accreditation Process: Report on the Experience Gained and Lessons Learned from the Accreditation Process” (2018). Available at https://www.adaptation-fund.org/wp-content/uploads/2018/03/Final_AFB.EFC_22.4_Efficiency-and-effectiveness-of-the-accreditationprocess. This analysis concluded that the AF’s accreditation process is essentially solid and is a strong feature of the Fund.

⁶¹ Ibid.

⁶² Adaptation Fund, “Overall Evaluation of the Adaptation Fund” (2018). Available at https://www.adaptation-fund.org/wp-content/uploads/2018/06/AF_Phase2_Eval_4June.pdf.

⁶³ Ibid.

Table III-2. Adaptation Fund safeguard principles

ENVIRONMENTAL AND SOCIAL PRINCIPLES AT THE ADAPTATION FUND	KEY PROVISIONS
Compliance with the law	Projects/programmes supported by the Fund shall comply with all applicable domestic and international law.
Access and equity	Projects/programmes supported by the Fund shall provide fair and equitable access to benefits in a manner that is inclusive and should not exacerbate existing inequities, particularly concerning marginalized or vulnerable groups.
Marginalized and vulnerable groups	Projects/programmes supported by the Fund shall avoid imposing any disproportionate adverse impacts on marginalized and vulnerable groups.
Human rights	Projects/programmes supported by the Fund shall respect and where applicable promote international human rights.
Gender equality and women's empowerment	Projects/programmes supported by the Fund shall be designed and implemented in such a way that both women and men have equal opportunities to participate and receive comparable social and economic benefits.
Core labour rights	Projects/programmes supported by the Fund shall meet the core labour standards as identified by the International Labour Organization.
Indigenous peoples	The Fund shall not support projects/programmes that are inconsistent with the rights and responsibilities outlined in the UN Declaration on the Rights of Indigenous Peoples and other applicable international instruments relating to indigenous peoples.
Involuntary resettlement	Projects/programmes supported by the Fund shall be designed and implemented in a way that avoids or minimizes the need for involuntary resettlement.
Protection of natural habitats	The Fund shall not support projects/programmes that would involve unjustified conversion or degradation of critical natural habitats.
Conservation of biological diversity	Projects/programmes supported by the Fund shall be designed and implemented in a way that avoids any significant or unjustified reduction or loss of biological diversity or the introduction of known invasive species.
Climate change	Projects/programmes supported by the Fund shall not result in any significant or unjustified increase in greenhouse gas emissions or other drivers of climate change.
Pollution prevention and resource efficiency	Projects/programmes supported by the Fund shall be designed and implemented in a way that meets applicable international standards for maximizing energy efficiency and minimizing material resource use, the production of wastes and the release of pollutants.
Public health	Projects/programmes supported by the Fund shall be designed and implemented in a way that avoids potentially significant negative impacts on public health.
Physical and cultural heritage	Projects/programmes supported by the Fund shall be designed and implemented in a way that avoids the alteration, damage or removal of any physical cultural resources, cultural sites and sites with unique natural values recognized as such at the community, national or international level.
Lands and soil conservation	Projects/programmes supported by the Fund shall be designed and implemented in a way that promotes soil conservation and avoids degradation

ENVIRONMENTAL AND SOCIAL PRINCIPLES AT THE ADAPTATION FUND	KEY PROVISIONS
	or conversion of productive lands or land that provides valuable ecosystem services.

Source: Adaptation Fund environmental and social policy, March 2016.

10. The AF, when reviewing the efficiency and effectiveness of its accreditation process, emphasized that the high standards of its ESS have strengthened the existing safeguard policies of several NIEs.⁶⁴ “Such institutional strengthening can result in transformational shifts, proving the direct access modality to be more than a funding channel: it is a strategic opportunity for improving national organizations (and country systems).”⁶⁵ The evaluation of the AF acknowledges these complementary benefits early on and seeks to align incentives for capacity strengthening with the accreditation process as a whole.⁶⁶ Furthermore, the AF Readiness Programme and Project Formulation Grants (PFGs) also provide grants to AEs, and entities seeking accreditation, to help build their capacity to implement the ESP, as well as the gender policy.⁶⁷

2. TO WHAT EXTENT ARE THE GCF ESP AND STANDARDS COHERENT WITH ENVIRONMENTAL AND SOCIAL POLICIES AND STANDARDS APPLIED IN THE CLIMATE CHANGE LANDSCAPE?

11. The benchmarking exercise compared the ESS systems of the GCF, GEF and AF. Table III-3 offers a comparison between the GCF and the AF. **There are lessons that the GCF can learn and quickly adopt for efficient design, approval, monitoring and reporting of co-benefits.** Our analyses reveal the following:
 - **All climate funds focus on a “do no harm” “risk mitigation approach” to safeguards, to ensure that funded projects do not inflict risk or harm.** Risk-based approaches, common among financial institutions, involve prioritizing risks according to a logic of efficient “risk management”.⁶⁸ The GCF, too, focuses on a risk mitigation approach (see Table III-3 below).

⁶⁴ Adaptation Fund, “Efficiency and Effectiveness of the Accreditation Process: Report on the Experience Gained and Lessons Learned from the Accreditation Process” (2018). Available at https://www.adaptation-fund.org/wp-content/uploads/2018/03/Final_AFB.EFC_22.4_Efficiency-and-effectiveness-of-the-accreditationprocess. Also see Adaptation Fund, “Bridging Gaps in Accreditation” (2019). Available at <https://www.adaptation-fund.org/wp-content/uploads/2019/08/Bridging-the-Gaps-in-Accred-07.24.pdf>.

⁶⁵ Adaptation Fund, “Efficiency and Effectiveness of the Accreditation Process: Report on the Experience Gained and Lessons Learned from the Accreditation Process” (2018). Available at https://www.adaptation-fund.org/wp-content/uploads/2018/03/Final_AFB.EFC_22.4_Efficiency-and-effectiveness-of-the-accreditationprocess. Also see Adaptation Fund, “Bridging Gaps in Accreditation” (2019). Available at <https://www.adaptation-fund.org/wp-content/uploads/2019/08/Bridging-the-Gaps-in-Accred-07.24.pdf>.

⁶⁶ Adaptation Fund, “Efficiency and Effectiveness of the Accreditation Process: Report on the Experience Gained and Lessons Learned from the Accreditation Process” (2018). Available at https://www.adaptation-fund.org/wp-content/uploads/2018/03/Final_AFB.EFC_22.4_Efficiency-and-effectiveness-of-the-accreditationprocess.

⁶⁷ Specifically, the AF has made available the following grants: South to South cooperation grants, Project Formulation grants (PFGs), Technical Assistance grants and Project Scale up grants. Additionally, in 2014, the AF launched the Readiness Programme for Climate Finance, designed to capture and share the growing experiences of AF direct access and other climate finance in order to strengthen the capacity of national and regional entities to receive and manage climate financing. The AF’s PFGs are available to accredited NIEs to build their capacity in project preparation and design. PFGs can support project formulation activities including, among others, feasibility studies or consultations.

⁶⁸ T.S. Greenberg, L. Gray, D. Schantz, M. Latham, and C. Gardner, “Stolen Asset Recovery: Politically Exposed Persons. A Policy Paper on Strengthening Preventive Measures” (Washington, D.C., World Bank, 2011).

- **All climate funds are committed to achieving social and environmental** outcomes (both improved performance and/or “co-benefits”).⁶⁹ On the other hand, *how* they seek to achieve this differs in the design, approval and monitoring stages of funded projects/programmes. **In the GCF Secretariat, there is no standard understanding of the investment criterion for sustainable development potential.** It is also unclear which part of the Secretariat is responsible for collecting, verifying and storing data on environmental and social performance and co-benefits; during our interviews, none of the Secretariat staff felt it was their responsibility. **There are many lessons that the GCF can take on and learn from impact investment funds** (see Table III-4), which focus on identifying, monitoring and reporting social and environmental outcomes/performance and co-benefits. Their main objective is to generate positive, measurable social and environmental impacts alongside a financial return.
- All climate funds require that all AEs and intermediaries adhere to and apply the Fund’s ESS policies and standards. They also require environmental and social assessments of proposed projects/programmes, which in turn result in environmental and social management plans (ESMPs) that identify the measures necessary to avoid, minimize or mitigate the risks, monitor projects and programmes over time, and allow public disclosure of assessments and management plans. **An emerging issue in the social and environmental assessment of projects and programmes is human rights, and, more specifically, human rights due diligence.** In a statement sent to European Union policymakers, members of the United States Congress, the Organisation for Economic Co-operation and Development, and the UN Working Group on Business and Human Rights, a group of institutional investors, representing USD 1.9 trillion in assets under management, call for enhanced investor due diligence to address environmental, social and governance risks, including human rights risks, throughout the investment lifecycle.⁷⁰ **The GCF has not adopted any guidance on how to screen and assess activities for any potential adverse impacts on the promotion, protection, respect for and fulfilment of human rights** (see Table III-6). The Secretariat has noted that following the completion of the GCF’s ESS, more robust guidance will be developed specifically regarding human rights. This is a critical area of concern for the evaluation. Additional guidance for this and gender should be provided urgently. Additional good practice identified is from FMO, which has developed and adopted a human rights’ due diligence approach and guidance. Figure III-1 illustrates the convergent relationship between the IFC Performance Standards and the human rights due diligence that FMO applies.
- **The GCF has less stringent reporting requirements on safeguard implementation issues than other agencies.** All climate funds have monitoring and tracking systems and reporting tools, but there are some differences concerning both the reporting requirements set out for the AEs and the climate funds’ monitoring and tracking systems (see Table III-8). At the GCF, several aspects of the proposed tracking system outlined in the MAF are not in place yet (also see Chapter V).
- **The GCF IPP is aligned with the policies and guidelines of other climate funds** (See Annex 5) and is considered a step in the right direction by civil society and indigenous peoples groups: “the

⁶⁹ The GCF Governing Instrument determines the Fund will “*strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.*” Additionally, the GCF’s ESP determines in its policy objectives that “*in carrying out its mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, GCF will effectively and equitably manage environmental and social risks and impacts and improve outcomes of all GCF-financed activities.*”

⁷⁰ Investor Alliance for Human Rights, “Making Finance Work for People and Planet” (2019). Available at https://investorsforhumanrights.org/sites/default/files/attachments/2019-04/IAHR_Making%20Finance%20Work%20for%20People%20and%20Planet_FINAL.pdf.

Indigenous Peoples Policy represents a high-level rights-based benchmark for the Fund’s operation and for climate finance at large.”⁷¹

- **The GCF’s gender policy is less ambitious and has less stringent requirements and available guidance than other agencies** (see Table III-7). The AF gender policy is more ambitious than the GCF gender policy by stipulating that no project proposal will be approved without articulated gender integration and requiring gender responsiveness of actions. Additionally, the GEF and AF have adopted specific guidance documents and tools to support the effective implementation of their gender policies.

Table III-3. GCF and AF approaches to achieving social and environmental outcomes in the design, approval and monitoring stages of funded projects/programmes

FUND	DESIGN AND APPROVAL	MONITORING AND REPORTING
Green Climate Fund	<p>The GCF focuses on identifying environmental and social outcomes or “co-benefits” through the Fund’s investment criteria, which translate the Fund’s overall objectives into guidelines for projects and provide guidance on how projects should be designed to achieve the expected results.</p> <p>The investment criterion for sustainable development potential aims to assess whether an FP is likely to deliver environmental⁷² and social⁷³ co-benefits. (see also Chapter V)</p> <ul style="list-style-type: none"> • Overall within GCF, there are different views within the Secretariat on what this criterion represents. This implies that there is no standard understanding of this criterion and its value for identifying co-benefits for a variety of different types and scales of projects. • The GCF-supported activities are expected to commit to enhancing equitable access to development benefits (ESP, section 3.1.). However, the ESP does not outline any clear operative provisions to achieve this objective. 	<ul style="list-style-type: none"> • The GCF Secretariat does not require or determine how funded projects will report on social and environmental performance/outcomes and co-benefits. • The results management framework (RMF) identifies eight specific impact result areas for its investment, which do not encompass social and environmental co-benefits. • There is a critical absence of guidance on measuring these result indicators and how they may be used or informed. This has continued since the IEU’s overall review of the RMF first mentioned it in early 2019.⁷⁴ • Interviews revealed that the OPM, the GCF monitoring arm, does not see it as its duty to gather data and consequently report on co-benefits. • The APR template has no provision to gather data on co-benefits, even though it is highly likely that the funded projects in operation are indeed generating co-benefits. This is despite the clear mandate from the Governing Instrument.
Adaptation Fund	<p>Through its funding proposal template, the AF requires a description as to how the project/programme provides economic, social and environmental benefits, with particular reference to the most vulnerable</p>	<ul style="list-style-type: none"> • The AF has adopted a results-based management approach, which deals with the identification and monitoring of co-benefits.⁷⁷

⁷¹ “IPs welcome adoption of GCF’s Indigenous Peoples Policy, Call it a step in the right direction”. Available at <http://www.tebtebba.org/index.php/content/432-ips-welcome-adoption-of-gcfs-indigenous-peoples-policy-call-it-a-step-in-the-right-direction>.

⁷² Environmental co-benefits are described as, “Degree to which the project or programme promotes positive environmental externalities such as air quality, soil quality, conservation, biodiversity, etc.”. GCF/B.09/23.

⁷³ “Potential for externalities in the form of expected improvements, for women and men as relevant, in areas such as health and safety, access to education, improved regulation and/or cultural preservation.” GCF/B.09/23.

⁷⁴ Green Climate Fund, “Results management framework: Independent Evaluation Unit recommendations to improve the Results Management Framework” (Songdo, South Korea, 2018).

⁷⁷ Ibid.

FUND	DESIGN AND APPROVAL	MONITORING AND REPORTING
	<p>communities, including gender considerations. This is done along with identifying and describing how the project/programme will avoid or mitigate negative impacts, in compliance with the ESP of the AF.⁷⁵ The AF also requires that the estimated co-benefits be quantified whenever possible, and all proposed projects/programmes shall demonstrate compliance with the environmental and social principles as outlined in the ESP. The AF has also adopted a guidance document for project proponents to utilize when designing project- or programme-level results frameworks and developing baselines to submit to the AF.⁷⁶</p>	

Table III-4. Mirova Natural Capital themes for impact investment selection and associated key performance indicators

THEME	SCOPE	ASSOCIATED KEY PERFORMANCE INDICATORS
Climate	Projects reduce greenhouse gas emissions, enhance climate change mitigation and increase the resilience and adaptability of their immediate vicinity.	<ul style="list-style-type: none"> • Net positive climate impacts in the reporting period (tons CO₂ equivalent)
Ecosystems	Projects protect and strive to enhance ecosystem functions, ecological processes and ecosystem services.	<ul style="list-style-type: none"> • Number of hectares under improved management for conservation within the project area • Estimated number of hectares indirectly conserved due to project activities • Project-specific indicator for the integrity of ecosystem function
Species	Projects have a positive impact on biodiversity and act to improve the conservation status of threatened and endangered species.	<ul style="list-style-type: none"> • Number of globally recognized important species targeted for conservation by the project • Performance against species conservation plan • Area of critical habitat for high conservation value species conserved or protected • Change in the abundance of priority high conservation value species (%) selected for monitoring; and/or change in the incidence of threats to these species

⁷⁵ Adaptation Fund, “Instructions for Preparing a Request for Project or Programme Funding from the Adaptation Fund”. Available at <https://www.adaptation-fund.org/apply-funding/project-funding/project-proposal-materials/> and <https://www.adaptation-fund.org/wp-content/uploads/2015/03/OPG-ANNEX-4-2-Instructions-Nov2013.pdf>.

⁷⁶ Adaptation Fund, “Results Framework and Baseline Guidance: Project-level”. Available at <http://www.adaptation-fund.org/wp-content/uploads/2015/01/Results%20Framework%20and%20Baseline%20Guidance%20final%20compressed.pdf>.

THEME	SCOPE	ASSOCIATED KEY PERFORMANCE INDICATORS
Livelihoods	Projects provide dignified livings and sustained family incomes. Decent jobs that pay a living wage promote the sustainable development of communities and improvements in the living conditions of the people within them. The UN Sustainable Development Goal 8 targets full and productive employment and decent work for all men and women by 2030.	<ul style="list-style-type: none"> • Average household income of project target groups • % of project stakeholders (local communities) classified as poor or very poor
Inclusiveness	Projects empower and protect the right to participate in decision-making and economic opportunities. Equality and inclusion are central to developing sustainable enterprises with social and environmental benefits.	<ul style="list-style-type: none"> • Number of jobs created and supported by the project • % of jobs created and supported by project held by women • Number of democratic community engagement organizations created or supported by the project to channel project resources • % of community members engaged in productive activities that are women • % of management roles in community engagement organizations filled by women
Sustainable Enterprises	Projects enable enterprises to grow in a way that is environmentally, socially and economically sustainable.	<ul style="list-style-type: none"> • Number of new enterprises created or supported by the project • % of enterprises within the project operating on a commercially viable basis • % of enterprises midway in the process of establishing commercial viability • % of enterprises meeting sustainable certification standards
Fair Economic Return	Projects achieve balanced returns for project stakeholders, including investors and local stakeholders.	<ul style="list-style-type: none"> • Total revenues received by stakeholders generated by the project • Total revenues received by stakeholders from the sale of goods and services supported by the project

Source: Mirova Natural Capital, Althelia Funds Impact Report 2018: Aligning Economy with Ecology.⁷⁸

⁷⁸ Available at <https://althelia.com/2018/09/06/2018-impact-report-launched/>.

Table III-5. Climate funds' social and environmental safeguards, policies and guidelines

FUND	SAFEGUARD STANDARDS, POLICIES AND GUIDELINES
Global Environment Facility (and Least Developed Countries Fund/ Special Climate Change Fund)	<ul style="list-style-type: none"> • Environmental and Social Policy⁷⁹ • Nine environmental and social safeguard standards (1. Environmental and Social Assessment, Management and Monitoring; 2. Accountability, Grievance and Conflict Resolution; 3. Biodiversity Conservation and the Sustainable Management of Living Natural Resources; 4. Restrictions on Land Use and Involuntary Resettlement; 5. Indigenous Peoples; 6. Cultural Heritage; 7. Resource Efficiency and Pollution Prevention; 8. Labour and Working Conditions; and 9. Community Health, Safety and Security) • Policy on Gender Equality • Policy on Stakeholder Engagement • Principles and Guidelines for Engagement of Indigenous Peoples (separate from the Environmental and Social Policy) • Guidelines for assessing GEF agencies' compliance with GEF policies on ESS, gender equality and stakeholder engagement
Adaptation Fund	<ul style="list-style-type: none"> • Environmental and Social Policy • 15 Environmental and Social Principles (see Table III-2) • Gender Policy and Action Plan • Guidance document for Implementing Entities on compliance with the Adaptation Fund Gender Policy • Guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Policy
Green Climate Fund	<ul style="list-style-type: none"> • Environmental and social policy, which lays out 18 guiding principles for how the GCF will implement the ESMS • Interim safeguards (applies the International Finance Corporation's Performance Standards) – see Box III-1 • Gender policy and action plan • Indigenous peoples policy <p>The evaluation team recognizes that the GCF has a “Sustainability Guidance Note: Designing and ensuring meaningful stakeholder engagement on GCF-financed projects”,⁸⁰ but no related policy.</p>

⁷⁹ The GEF has recently updated the Minimum Standards on Environmental and Social Safeguards and the social and environmental policy in line with good international practice. New areas addressed in the policy include, among others, labour and working conditions; community health, safety and security; climate and disaster risks; disability inclusion; disadvantaged or vulnerable individuals or groups; and adverse gender-related impacts, including gender-based violence and sexual exploitation and abuse. The policy also strengthens protections for indigenous peoples.

⁸⁰ Green Climate Fund, “Sustainability Guidance Note: Designing and ensuring meaningful stakeholder engagement on GCF-financed projects” (Songdo, South Korea, 2019). Available at <https://www.greenclimate.fund/documents/meaningful-stakeholder-engagement>.

Table III-6. Human rights assessments

FUND	APPLICATION OF HUMAN RIGHTS ASSESSMENTS
Green Climate Fund	<p>The GCF’s ESP sets out that the “GCF will require and ensure that activities are screened, including component subprojects of programmes and activities requiring financial intermediation, for any potential adverse impacts on the promotion, protection, respect for, and fulfilment of human rights. This may be done through the required social and environmental impacts assessment (complemented by specific human rights due diligence deemed relevant by the accredited entities with respect to specific circumstances or activities). For activities that have potential adverse impacts on human rights, GCF will require the preparation of an action plan that identifies national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements, and describes the mitigation measures that will be taken to comply with those obligations and national laws. Such measures are to be described and costed as part of the consideration for GCF funding. GCF will not finance activities where planned mitigation is inadequate.”⁸¹</p>
Adaptation Fund	<p>The AF requires a mandatory application of its standard on human rights (principle 4, see Table III-2). The AF requires the respect and, where applicable, the promotion of human rights in all projects/programmes.</p> <p>To meet this requirement, the AF requires that all environmental and social assessments submitted to the AF review the relevant human rights issues identified in the Human Rights Council Special Procedures⁸² and describe how the project/programme will address any such relevant human rights issues. It also requires human rights should be an explicit part of consultations with stakeholders during the identification and/or formulation of the project/programme.</p> <p>The findings on human rights issues of the consultations should then be included in the project/programme document and details of the consultations added as an annex.</p>

Table III-7. Comparison of the gender policies of the GCF, GEF and AF

FUND	COMPARISON OF GENDER POLICIES
Green Climate Fund	<p>The policy is structured around some core objectives to promote the goals of gender equality and women’s empowerment through its decisions on the allocation of funds, operations and overall impact with comprehensive scope and coverage. It emphasizes gender responsiveness much more explicitly, moving from gender sensitivity as the core of the interim policy. It also seeks to align more explicitly with the United Nations Sustainable Development Goals. It articulates human rights, country ownership, stakeholder engagement and consultation and information disclosure as guiding principles, and delineates the respective responsibilities of the GCF, the implementing entities and NDAs, and project-level requirements. The policy update articulates in much clearer detail the requirements and respective responsibilities of all GCF partners at the project inception, implementation, monitoring and reporting stages. For example, the submission of a project-specific gender action plan is now a requirement, in addition to the mandatory gender assessment.</p> <p>The updated policy, however, falls short of other climate funds in the following:</p> <ul style="list-style-type: none"> • Although the GCF serves as the Financial Mechanism to the UNFCCC and Paris Agreement and should abide by relevant provisions, alignment with international human and women’s rights agreements and conventions is weak. This manifests itself

⁸¹ GCF Environmental and Social Policy, paragraph 48.

⁸² The Human Rights Council uses “Special Procedures”, which are mechanisms to address either specific country situations or thematic issues in all parts of the world. Special Procedures mandates usually call on mandate-holders to examine, monitor, advise and publicly report on human rights situations in specific countries or territories, known as country mandates, or on major phenomena of human rights violations worldwide, known as thematic mandates. There are 30 thematic mandates and 8 country mandates. All report to the Human Rights Council on their findings and recommendations.

FUND	COMPARISON OF GENDER POLICIES
	<p>in reduced explicit references to applicable international human rights instruments and results in human rights being placed as a secondary rather than primary commitment in the policy.</p> <ul style="list-style-type: none"> • The emphasis on national contextualization with the inclusion of references requiring alignment with national policies and priorities on gender potentially undermines fulfilling international human rights standards. • It does not include an automated review period but indicates that the GCF Board would determine a review and update. • It does not yet have associated guidelines that (a) elaborate the determinants for gender-responsive stakeholder consultation; (b) detail the approach to and requirements for an initial gender assessment as required under the gender policy; and (c) detail ways to ensure gender-responsive project and programme planning and design, implementation and performance monitoring and evaluation.
Global Environment Facility	<p>The GEF Council approved a new policy on gender equality in November 2017. It introduced new principles and requirements to mainstream gender in the design, implementation and evaluation of GEF projects and programmes, making it a policy requirement for the GEF and its partners to more strategically and proactively work to address gender benefits (“do good”) and thus move beyond a safeguard-oriented “do no harm” approach, including through requirements for improved monitoring and reporting of results on both the project and portfolio level. This includes a now mandatory project-specific gender analysis to be provided at or before GEF CEO endorsement or approval as well as a sharpened focus on the capacity of GEF agencies to collect sex-disaggregated data and report on sex-disaggregated targets and results. A GEF Gender Implementation Strategy complements it. Approved mid-2018, it outlines strategic entry points and target actions as well as a results framework to track and report on gender equality progress during GEF-7. The GEF supports capacity-building efforts, including Guidance on Gender Equality and an online course on gender and the environment.</p>
Adaptation Fund	<p>The gender policy takes a principles-based approach with strong human rights framing, rather than elaborating all mandates in explicit detail. This approach mirrors the principles-based approach of the Fund’s environmental and social policy. The gender policy goes beyond the GCF gender policy, in stipulating that no AF project proposal will be approved without articulated gender integration (para. 22) and requiring gender responsiveness of actions. The policy is judged to be exemplary and in line with international best practices by the AF NGO Network and CSO observers as knowledgeable stakeholders of Fund operations.⁸³ The independent review of the AF’s gender policy, including in comparison to similar policies of peer climate funds, noted that its strong principle-based, “<i>human-rights centered approach is state-of-the-art, and is considered to continue to be largely fit-for-purpose for the Fund.</i>”⁸⁴ The Fund’s gender policy is implemented throughout the Fund’s operational processes. Thus, templates and guidelines were required, and in March 2017, the AF Board in its twenty-ninth meeting took note of the “Guidance Document for Implementing Entities on Compliance with the Adaptation Fund Gender policy” (document AFB/B.29/Inf.6).</p> <p>The new AF Medium-Term Strategy (2018–2022) also prominently highlights gender equality as a cross-cutting issue to achieve the Fund’s mission. A mandated 2019 assessment on progress in implementing the gender mandate in the AF recognized significant progress while highlighting the need for more capacity-building support for implementing entities. An ongoing consultative process is expected to conclude with the</p>

⁸³ Germanwatch, “The future role of the Adaptation Fund in the international climate finance architecture” (Bonn, Germany, 2018). Available at <https://newclimate.org/wp-content/uploads/2018/10/The-future-role-of-the-Adaptation-fund-in-the-international-climate-finance-architecture.pdf>.

⁸⁴ Adaptation Fund, “Assessment report on progress in the implementation of the adaptation fund’s gender policy and gender action plan” (October 2019). Available at https://www.adaptation-fund.org/wp-content/uploads/2019/10/AFB.B.34.Inf.9_Assessment-report-on-progress-in-the-implementation-of-the-Adaptation-Funds-Gender-Policy-and-Gender-Action-Plan_final_ready-for-posting1.pdf.

FUND	COMPARISON OF GENDER POLICIES
	adoption of an updated gender policy and new gender action plan (FY20–21) in March 2020.

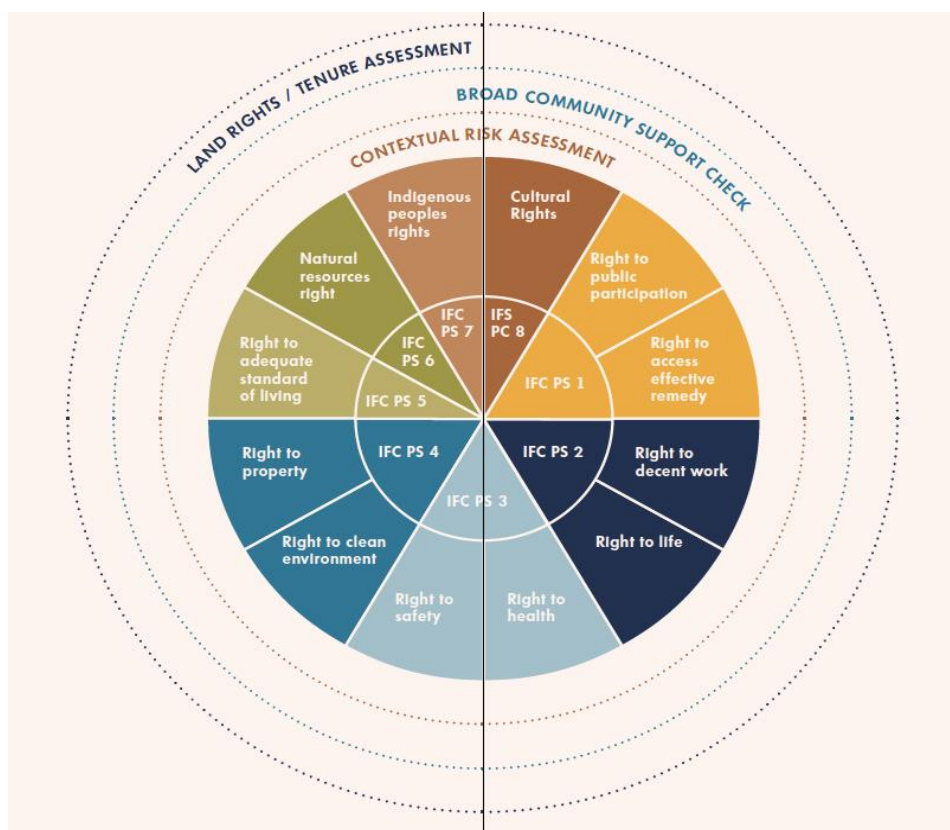


Figure III-1. Convergent relationship between the IFC Performance Standards and human rights due diligence by FMO

Table III-8. Monitoring systems and reporting tools of the GCF, GEF and AF

FUND	MONITORING AND TRACKING SYSTEMS AND REPORTING TOOLS
Global Environment Facility (and Least Developed Countries Fund/ Special Climate Change Fund)	<ul style="list-style-type: none"> Policy on Monitoring Agencies' Compliance with GEF safeguards, fiduciary standards and gender policies Periodical self-assessment and reporting by agencies combined with a risk-based review by the Secretariat, although it does not address the need for project-level monitoring and reporting. At the portfolio level, the GEF does not systematically track potential environmental and social impacts.
Adaptation Fund	<ul style="list-style-type: none"> The AF has three results frameworks. The Strategic Results Framework, the Effectiveness and Efficiency Results Framework, and the Results Framework (or log frame), which is developed by each project or programme. Progress on the Results Framework is monitored through the AF Results Tracker.⁸⁵ Annual project performance reports from AEs, which must flag critical risks (those with a 50 per cent or greater chance of impeding progress), describe risk mitigation measures adopted during the reporting period and their

⁸⁵ Adaptation Fund, Results Tracking (2013). Available at http://www.adaptation-fund.org/wp-content/uploads/2015/01/AFB.EFC_13.4%20Results%20Tracking.pdf.

FUND	MONITORING AND TRACKING SYSTEMS AND REPORTING TOOLS
	<p>effectiveness.⁸⁶ These reports are publicly disclosed and made available for effective and timely public consultation with directly affected communities.</p> <ul style="list-style-type: none"> • Guidelines for ongoing reporting on safeguard-related issues during project implementation • Midterm and terminal evaluation reports⁸⁷ • Guidelines for undertaking terminal evaluations • Detailed templates for annual reporting by AEs, which track identified risks and steps to mitigate them
Green Climate Fund	<ul style="list-style-type: none"> • The GCF has a MAF designed to ensure AEs comply with their accreditation standards over time as well as ensure the effective implementation of each GCF-funded project and programme. • Accreditation: Annual self-reporting on systems compliance with standards and safeguards • During the project/programme implementation period, reporting requirements to the GCF mainly include the following: APRs, an interim evaluation report and a final evaluation report for each funded activity.

3. HOW COHERENT ARE THE GCF'S ESP AND STANDARDS WITH OTHER GCF POLICIES AND STRATEGIC GOALS AND THE GCF INSTITUTIONAL STRUCTURE?

12. The GCF's ESP, in section IV, defines the principles (see Table III-9) that shall guide how the GCF will implement the ESMS and achieve the objectives of the policy, both in terms of risk prevention and management, as well as improved environmental and social performance of GCF-funded activities and potentially achieving co-benefits (notably the principle (a)). These principles include a wide range of issues and a mix of substantive (e.g. promote human rights) and procedural (e.g. ESMS will be continuously improved) aspects. However, upon examining the relevant sections of the ESP (e.g. screening, environmental and social assessment, and due diligence) as well as the GCF's sustainability guidance note for screening and categorizing GCF-financed activities, **neither document clearly determines how these principles are to be considered and integrated during project review and approval.**

Table III-9. Guiding principles of the GCF ESP

GCF ENVIRONMENT AND SOCIAL POLICY PRINCIPLES	KEY PROVISIONS
1. Integration of environmental and social sustainability	An opportunity for the GCF to incorporate environmental and social considerations in ways that not only include safeguard measures of “do no harm”, but also improve environmental and social outcomes and generate co-benefits to the environment and the communities, including indigenous peoples, that depend on it.
2. Transboundary risk and impact approach	In case of potential transboundary impacts of GCF-funded projects, all necessary consultations and due diligence processes are conducted,

⁸⁶ Adaptation Fund, “Project Performance Report Template”. Available at <https://www.adaptation-fund.org/projects-programmes/projectperformance>.

⁸⁷ Adaptation Fund, Environmental and Social Policy, paragraph 32.

GCF ENVIRONMENT AND SOCIAL POLICY PRINCIPLES	KEY PROVISIONS
	including prior notification and consultations with the relevant stakeholders.
3. Scaled risk-based approach	The ESS standards will be implemented in a risk-based manner and not in a blunt, one-size-fits-all approach. This approach requires that environmental and social requirements and processes are commensurate with the level of risk and meet the relevant ESS standards.
4. Fit-for-purpose approach	In the context of the GCF accreditation process, the approach recognizes the roles of a wide range of entities, which can differ according to the scope and nature of the activities of the entities, and their capacity to manage environmental and social risks and impacts.
5. Equality and non-discrimination	In meeting the ESS standards, all activities financed by the GCF require that, where they are unavoidable, adverse impacts do not fall disproportionately on vulnerable and marginalized groups and individuals that are affected or potentially affected by GCF-financed activities. In this way, prejudice and discrimination in providing access to development resources and benefits are avoided.
6. Mitigation hierarchy	The GCF adheres to the mitigation hierarchy as an overall principle for managing environmental risks and impacts suitable for all instances of GCF-financed activities.
7. Coherence and links with relevant policies and practices of the GCF	The ESP is an overarching policy that is linked with the relevant policies and practices of the GCF.
8. Continuous improvement and best practices	The ESMS will be continuously reviewed and updated and will also be consistently aligned with international best practices and applicable standards, reflecting the experiences and lessons learned by AEs and other relevant institutions, as well as including recommendations made by the GCF independent accountability units.
9. Stakeholder engagement and disclosure	The ESMS requires that there is broad multi-stakeholder support and participation throughout the life cycle of GCF-financed activities and that the process be inclusive, gender-responsive and culturally aware.
10. Gender-sensitive approach	The GCF will require AEs to adequately assess the gender risks and impacts (as part of social risks and impacts assessments) and link the corresponding gender risk-management measures to the activity-level gender action plans.
11. Knowledge-sharing	The GCF will lead and promote the sharing of lessons and experiences in applying ESS and in implementing the ESMS among entities and stakeholders.
12. Harmonized application of environmental and social requirements	The GCF will promote the harmonized application of ESS to reduce multiple and overlapping requirements for activities through the development of a common approach that considers the requirements of other co-financing institutions while providing the highest level of environmental and social protection required among the parties, with at least the level of protection provided by the GCF being required.
13. Compliance with applicable laws	The GCF does not support activities that do not comply with applicable laws, including national laws and/or obligations of the country directly applicable to the activities under relevant international treaties and agreements, whichever is the higher standard.

GCF ENVIRONMENT AND SOCIAL POLICY PRINCIPLES	KEY PROVISIONS
14. Consistency with the UNFCCC REDD+ safeguards	The environmental and social requirements of the GCF are consistent with all relevant REDD+ decisions under UNFCCC and the existing highest standards for the operationalization of these decisions.
15. Labour and working conditions	All activities financed by the GCF promote decent work, fair treatment, non-discrimination and equal opportunity for workers, guided by the core labour standards of the International Labour Organization.
16. Indigenous peoples	<p>All GCF-financed activities [are expected to] avoid adverse impacts on indigenous peoples, and when avoidance is not possible, will minimize, mitigate and/or compensate appropriately and equitably for such impacts.</p> <p>All GCF-financed activities will support the full and effective participation of indigenous peoples.</p> <p>The rights and responsibilities defined in the United Nations Declaration on the Rights of Indigenous Peoples will guide the design and implementation of activities. Of particular importance is the inclusion of the right to FPIC, which will be required by the GCF in applicable circumstances.</p>
17. Human rights	All activities supported by the GCF will be designed and implemented in a manner that will promote, protect and fulfil universal respect for, and observance of, human rights for all. The GCF will require the application of robust environmental and social due diligence so that the supported activities do not cause, promote, contribute to, perpetuate or exacerbate adverse human rights impacts.
18. Biodiversity	All GCF-financed activities will be designed and implemented in a manner that will protect and conserve biodiversity and critical habitats, ensure environmental flows of water, maintain the benefits of ecosystem services, and promote the sustainable use and management of living natural resources.

C. FINDINGS

- The interim ESS standards (i.e. the IFC Performance Standards) are not fit for purpose for the GCF.** The interim ESS standards are not aligned with the GCF's mandate and ESP, in that they do not focus on generating – and integrating – positive, measurable social and environmental impacts (i.e. environmental and social performance) and instead focus on assessing, mitigating and managing environmental and social risks and impacts. Improved social and environmental performance and the delivery of co-benefits underpin the mandate and objectives of the GCF and its ESP. They must be a key consideration for the scope and focus of the GCF's ESS standards and associated procedures and organizational structures.
- A gap analysis of the GCF's interim ESS against the principles and provisions set out by the Paris Agreement identified several thematic areas that require further attention when updating of the GCF's ESS.** These include benefit sharing, sexual harassment, access to remedy/grievance redress, gender equity, indigenous peoples' rights, FPIC and public health. In these and all thematic ESS areas, the GCF-funded projects are expected to comply with applicable legislation concerning ESS, including under relevant international treaties and

agreements, whichever is the higher standard.⁸⁸ **However, guidance on these remains minimal.**

- Regarding the achievement of environmental and social outcomes (or co-benefits), **the GCF has a narrow and limited focus on “how” to achieve them in the design, approval and monitoring stages of funded projects/programmes in comparison to other climate funds.** They are mainly identified through the Fund’s investment criteria, but definitions of sustainable development potential vary across the Secretariat.
- **The GCF does not require or determine how funded projects are to report on social and environmental outcomes or co-benefits.** This is a serious flaw, but there are some best practices to be considered:
 - Identifying how co-benefits drive or track the impact outcomes
 - Identifying co-benefits in conjunction with identifying how the project/programme will avoid or mitigate negative impacts
 - Quantifying the estimated co-benefits, whenever possible, including through the use of impact indicators
 - Integrating co-benefit monitoring with climate impact monitoring
- **This review identified a range of gaps in the GCF’s ESP and interim ESS standards concerning other peer climate funds’ safeguard standards and policies.** In terms of differences on ESMS structure, the main components other climate funds have in place that the GCF does not have, include (a) specific and tailored guidance on ESS and implementation of the gender policy, (b) a stakeholder engagement policy, and (c) detailed safeguards monitoring and reporting tools. The Fund should embark on fixing these three at the earliest opportunity.
- **This review identified a range of gaps in the newly adopted GCF gender policy compared to those of other peer climate funds.** With its delayed adoption and missing ambition, as noted by recent reports, “*the GCF appears to have lost its earlier status as a gender integration trendsetter in climate finance operations*”⁸⁹. When compared with other climate funds, the policy falls short, as indicated below:
 - Alignment with international human and women’s rights agreements and conventions is weak. The policy is not informed by, or situated in, wider human rights and gender equality norms governing international development frameworks, such as the Universal Declaration of Human Rights or the Convention on the Elimination of All Forms of Discrimination Against Women.
 - The emphasis on national contextualization, with the inclusion of references requiring alignment with national policies and priorities on gender, potentially undermines fulfilling international human rights standards.
 - It does not include an automated review period but indicates that the GCF Board would determine a review and update.
 - It does not yet have associated guidelines that (a) elaborate the determinants for gender-responsive stakeholder consultation; (b) detail the approach to and requirements for an initial gender assessment as required under the gender policy; and (c) detail ways to ensure

⁸⁸ Green Climate Fund, Environmental and Social Policy, principle (m).

⁸⁹ Overseas Development Institute and Heinrich Böll Stiftung (2019), “Gender and Climate Finance”, Climate Finance Fundamentals, November 2019.

gender-responsive project and programme planning and design, implementation and performance monitoring and evaluation.

- **Currently, the GCF has not operationalized any plans for ensuring coherence and complementarity.** Although discussions have taken place, no actions are planned to enhance complementarity at fund, national and activity levels with the GEF or AF. There is, for example, no system to share information across climate funds about project approvals, high-achieving or problematic projects and AEs, projects recommended for additional and/or future financing, or harmonizing applications and processes. An example of successful operational linkages is the fast-track accreditation process established between the AF and the GCF, which could provide a foundation for future coordination of portfolio-relevant activities.
- **The GCF has not adopted any guidance on how to screen and assess potential adverse effects for human rights, either for itself or for AEs.** The GCF's ESP determines activities are to be screened and assessed for any potential adverse impacts on the promotion, protection, respect for and fulfilment of human rights. The Secretariat has noted that following the completion of the GCF's ESS, more robust guidance will be developed specifically for human rights. It is not clear how already approved projects will be treated regarding human rights. This remains a critical concern for the evaluation.
- **The GCF has less stringent reporting requirements on safeguard implementation issues than other agencies,** including the AF. The evaluation team identified some gaps in the reporting tools employed by the GCF. Best practices can be drawn from the AF, and key gaps to be addressed in the GCF include developing detailed templates for annual reporting by AEs that track identified risks and steps to mitigate them; putting together guidance regarding ongoing reporting on safeguard-related issues during project implementation (without necessarily waiting for end-of-year reporting); and publicly disclosed reports that are made available for effective and timely public consultation with directly affected communities (see also Chapter V).
- **The GCF ESP does not explicitly determine how its guiding principles are to be integrated and considered in the entire project cycle (from project preparation to project monitoring/reporting), but most importantly in the screening, environmental and social assessment, and due diligence processes it sets out.** This is key considering some of the ESP principles cover certain themes or areas that would further strengthen the alignment of the GCF ESS with international best practices.

D. CONCLUSIONS AND RECOMMENDATIONS

13. The GCF serves the Paris Agreement as an operating entity of its Financial Mechanism and must, therefore, be primarily guided by the principles and provisions of the Convention that do not apply to traditional development finance. In this regard, **improved social and environmental performance and the delivery of co-benefits underpin the mandate and objectives of the GCF, and its ESP, and must be a key consideration for the scope and focus of the GCF's ESS standards and associated policies and procedures.** The interim ESS standards are not aligned with the GCF's mandate and ESP, in that they do not focus on generating – and integrating – positive, measurable social and environmental impacts (i.e. environmental and social performance) and instead focus on assessing, mitigating and managing environmental and social risks and impacts. The evaluation team identified a range of gaps on the GCF's ESS standards regarding the Paris Agreement provisions, and in relation to other peer climate funds' ESS and policies, noting the

GCF places insufficient focus on human rights, gender and equity concerns. Notably, the GCF has not adopted any guidance on how to screen and assess potential adverse effects on human rights, either for itself or for AEs.

14. **The ESMS does not focus on “how” to achieve social and environmental outcomes in the design, approval and monitoring stages of funded projects/programmes**, unlike the systems of other climate funds. The current approach of applying the Fund’s investment criterion for sustainable development potential is inconsistent across the Secretariat and is found to be insufficient for the GCF to adequately generate positive, measurable social and environmental improvements per its unique mandate. The GCF’s ESP recognizes the integration of social and environmental sustainability as one of its principles yet. However, it does not determine how the GCF’s projects and programmes are to address social and environmental outcomes in the entire project cycle (from project preparation to project reporting), including in the screening, environmental and social assessment, and due diligence processes it sets out. Moreover, the GCF does not require or determine how funded projects are to report on social and environmental outcomes or co-benefits and has less stringent reporting requirements on safeguard implementation than other climate funds.
15. The evaluation’s recommendations are the following:
 - **The GCF’s planned revision of its interim ESS standards needs to address the identified gaps and be customized to the mandate of the GCF.** The planned revision and development may align to the extent possible with other peer climate funds that are likely to simplify the process of accessing climate finance.
 - **The GCF’s planned revision of its interim ESS standards and the development of its ESMS must ensure environmental and social performance and co-benefits are integrated with its overall system. The revision must set up guidance, reporting and monitoring systems for not just environmental and social risks but also performance and co-benefits.**
 - **The development of the ESMS must consider** (a) specific and tailored guidance on newly adopted ESS, clarifying how the principles of the ESP are integrated in screenings, environmental and social assessments, and due diligence processes; (b) specific guidance for human rights due diligence; (c) a stakeholder engagement policy; (d) specific and tailored guidance for the implementation of the gender policy; and (e) monitoring and reporting tools, including a monitoring policy for ESS, environmental and social performance and co-benefits.
 - **The GCF process for the adoption of its ESS must consider the challenge for DAEs concerning ESS.** The evaluation team identified that a key challenge for efficient access to financial resources by developing countries is demonstrating conformity with ESS standards.⁹⁰ Addressing this challenge will be essential for the GCF to meet Article 9 of the Paris Agreement⁹¹ and the Fund’s strategic plan, which determines that *“developing countries are the primary partners of GCF. At its core, successful, paradigm-shifting GCF programming for 2020–2023 depends on implementing the principle of country ownership by empowering*

⁹⁰ UNFCCC, Standing Committee on Finance, Forum on Climate Finance Architecture (2018). Reports available at <https://unfccc.int/topics/climate-finance/meetings--events/scf-forum>. See also I. Masullo, G. Larsen, L. Brown, and L. Dougherty-Choux, “‘Direct Access’ to Climate Finance: Lessons Learned by National Institutions”, Working Paper (Washington, D.C., World Resources Institute, 2015). Available at <http://www.wri.org/publication/direct-access>.

⁹¹ Article 9 of the Paris Agreement states that the institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans. Article 9 available at <https://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf#page=28>.

*developing countries to undertake transformational planning and programming that will shape a paradigm-shifting GCF investment pipeline”.*⁹² Consider the following best practices:

- Aligning incentives for capacity strengthening on ESS with the accreditation process as a whole
- Strengthen and aligning readiness and project preparation support to help build DAEs' capacity to implement ESS
- **Strengthen and implement processes to identify co-benefits and ensure they are monitored and reported upon with rigour and credibility.** In developing the ESMS, the GCF should draw on the experience of other agencies. These can include (a) preparing guidance on how co-benefits may be identified, along with identifying how the project/programme will avoid or mitigate negative impacts; (b) how the estimated co-benefits can be quantified, whenever possible, including through the use of impact indicators; and (c) how to integrate co-benefit monitoring with climate impact monitoring.
- **Develop clear guidance on eligibility and investment criteria,** especially sustainable development potential, including the adoption of KPIs to guide projects in their impact reporting.
- **The GCF should commit to assessing the implementation of the updated gender policy to allow for improvements and revisions to this policy. Additionally, the GCF should adopt a guidance document to support AE/DAEs with the effective implementation of the gender policy,** which should (a) elaborate the determinants for gender-responsive stakeholder consultation; (b) describe the approach to and requirements for an initial gender assessment as required under the gender policy; and (c) detail ways to ensure gender-responsive project and programme planning and design, implementation, and performance monitoring and evaluation.
- **Set up operationalized mechanisms with other agencies such as the GEF and AF to enhance complementarity at fund, national and activity levels.** In developing the ESMS, the GCF should discuss opportunities for complementarity with the AF and GEF, including the set-up of a more coordinated and holistic readiness support on ESS, and a system to share information across climate funds about project approvals, high-achieving or problematic projects and AEs, projects recommended for additional and/or future financing, or harmonizing applications and processes. This building of synergies should also be encouraged with country systems for all recipient countries to reap maximum benefits from complementarity.

⁹² GCF/B.24/Inf.01, paragraph 30.

Chapter IV. THE ESMS IN THE GCF'S OPERATIONS

KEY RECOMMENDATIONS

- The GCF should consider developing a **strategy for accreditation** that aligns with the GCF's overall strategy. Specifically, **reaccreditation** should start to consider the extent to which entities have planned for and realized co-benefits and climate, environmental and social performance in their overall portfolios.
- The GCF should ensure that the accreditation process has a robust assessment, which is not just desk-based, of the **AE's institutional capacity to monitor and report on the implementation of ESS management measures and environmental and social performance**.
- The GCF should increase the support available to candidate DAEs before and after accreditation to address ESS requirements through the RPSP.
- The GCF should better track and report RPSP support for ESS capacity for candidate DAEs. Support is being provided already, but it is not tracked.
- The GCF should consider adopting a strategy for the PPF to ensure its effectiveness in preparing climate-relevant and innovative FPs. It should also improve the processing times of the PPF, and should consider relocating the PPF team with the programming divisions, DMA and PSF.

KEY FINDINGS

- An increase in the number of DAEs applying for accreditation, with diverse institutional identities and ESS capacities, presents a challenge. While the GCF recognizes this challenge, to date, little action has been taken to address it. The evaluation also highlights concerns related to the effectiveness and efficiency of the current accreditation process (as has also been highlighted previously, notably by the IEU's Forward-looking Performance Review (FPR)).
- While accreditation includes an assessment of the AE's ESS policies, standards and institutional processes, it remains a desk review exercise without an assessment of the AE's capacity to implement ESS policies and monitor ESS considerations for compliance and impact.
- The ability to foster environmental and social performance through co-benefits during future project implementation is not assessed during accreditation.
- The RPSP seems to contribute in important ways to strengthening ESS capacities, but the RPSP fails to adequately monitor and report on the strengthening of the capacity of candidate AEs regarding the ESS and gender policies, standards and institutional mechanisms.
- The PPF supports ESS-related considerations in the preparation of FPs but does not promote the inclusion of co-benefit identification and planning. Furthermore, processing times for the PPF are currently too long to effectively and efficiently assist the IAEs or DAEs in this aspect.
- NDAs and DAEs or candidate DAEs are not well informed about access to RPSP support and the PPF concerning ESS considerations.

A. INTRODUCTION

1. This chapter addresses the following key question: to what extent do the GCF's organizational structure and processes address the capacity at AE and country level to ensure the effective implementation of the ESMS? We also review the business model – in particular, the accreditation process, the RPSF and the PPF – using the following two sub-questions:
 - How effective is the accreditation process in assessing the capacity of prospective AEs to prevent, manage or mitigate adverse environmental and social impacts, as well as setting the standards for environmental and social performance and achieving co-benefits?
 - What support, in the form of the RPSF and PPF, has been provided to AEs, in particular DAEs and NDAs, to help increase capacity to apply the current ESMS, including the ESP and ESS standards?

B. DATA AND ANALYSES

2. Here we discuss the two sub-questions.

1. HOW EFFECTIVE IS THE ACCREDITATION PROCESS IN ASSESSING THE CAPACITY OF PROSPECTIVE AEs TO PREVENT, MANAGE OR MITIGATE ADVERSE ENVIRONMENTAL AND SOCIAL IMPACTS, AS WELL AS SETTING THE STANDARDS FOR ENVIRONMENTAL AND SOCIAL PERFORMANCE AND ACHIEVING CO-BENEFITS?

3. To answer the question, we examine the overall accreditation processing times, the duration of the accreditation review and approval by the ESS category, and the process of the accreditation review regarding ESS. We use data from the portfolio analysis relating to how the accreditation process has addressed ESS policy and capacity, supplemented by interviews with respondents from the Secretariat, the Accreditation Panel and in-country stakeholders during the country missions.

a. Accreditation processing times and the DAE challenge concerning ESS

4. The IEU's FPR highlighted that accreditation currently takes too long, is inflexible and does not take account of context adequately.⁹³ Figure IV-1 shows an update on the average accreditation processing times by Board meeting. It is noted that candidate AEs that were approved in B.23 were waiting for their accreditation on average 1,178 days. Three out of four accredited entities at B.23 were DAEs. This may be explained by the fact that for these agencies, AEs spent (median value) three years in Stages I and II. The time spent between the finalization of Stage II and Board approval is expressed by the "Board approval time" see Figure IV-1. On 8 July 2019, 88 agencies had been approved, but only 61 had executed accreditation master agreements (AMAs), and 47 had effective AMAs.

⁹³ Independent Evaluation Unit, "Forward-looking Performance Review of the Green Climate Fund (FPR)", Evaluation Report No. 3 (Songdo, South Korea, Green Climate Fund, 2019).

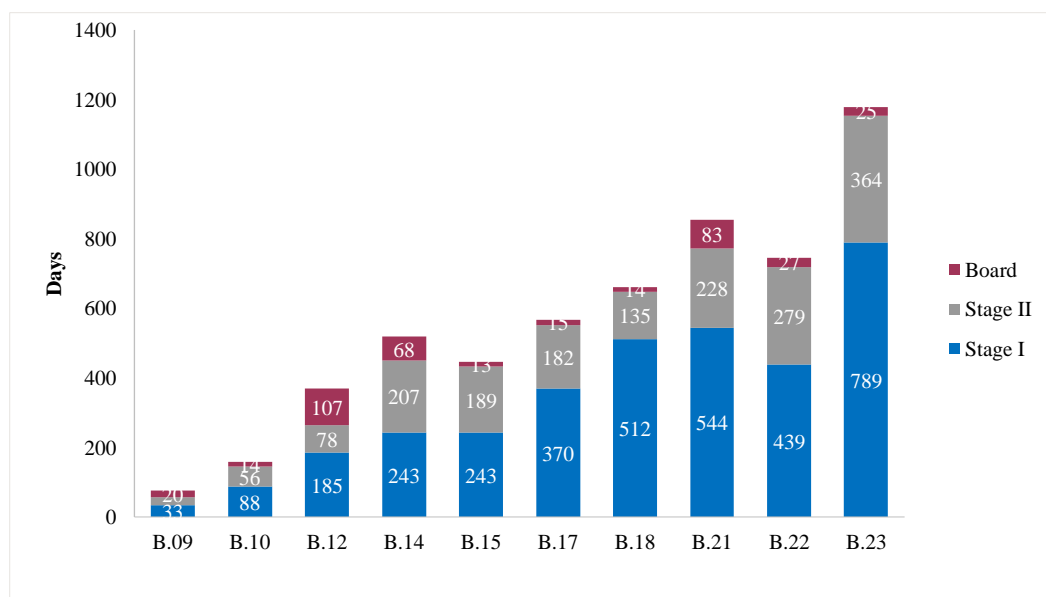


Figure IV-1. Median accreditation time (days) from submission to Board approval

Source: IEU DataLab. Data extracted from 88 AEs. Data valid as of 8 July 2019.

- The evaluation examined data in the GCF online accreditation system and found that **the diversity of characteristics and track records of candidate DAEs creates significant challenges for the accreditation process to be effective – especially regarding ESS policies, institutional processes and capacity**. As mentioned in consultations, given this diversity of DAEs, the use of standardized checklists at Stage I and Stage II of the accreditation process has limitations. In the case of some candidate DAEs, it may be necessary to establish specific ESMS for DAEs and to build up their needed capacity more or less from scratch. This was confirmed in the course of key informant interviews (KIIs), and the evaluation team also took note of various assessments and reports, which made similar findings, thereby highlighting the challenges likely to emerge by giving priority to accrediting more DAEs (see Table IV-1).

Table IV-1. Relevant findings on accreditation from various assessments and reports

ASSESSMENTS	MAIN FINDINGS CONSIDERED BY THIS EVALUATION
The Forward-looking Performance Review (FPR) of the Green Climate Fund, conducted by the IEU ⁹⁴	The FPR concludes that accreditation, in its present form, is not fit for purpose, for three main reasons: (a) a slow, unpredictable and not fully transparent process; (b) a backlogged pipeline, which presents reputational and operational risks; and (c) the accreditation process is mostly a one-size-fits-all model. It does not sufficiently differentiate by type of country, entity or project, concerning compliance with GCF policies. Accreditation currently takes too long, is inflexible and does not take account of context adequately. ⁹⁵
Review of the accreditation process, a report by Moore Stephens, commissioned by the GCF Secretariat ⁹⁶	While the accreditation framework is designed appropriately in terms of facilitating a portfolio that can meet the objectives of the GCF, it is not operating optimally. The current portfolio of entities is imbalanced and particularly unrepresentative of direct access and private sector entities, and it has a suboptimal geographical distribution. The majority of stakeholders consider the accreditation and funding proposal processes to take much longer than they should.
The Second-level Due Diligence Framework of the Green Climate Fund, a report by Oliver Wyman, commissioned by the GCF Secretariat ⁹⁷	While the accreditation process should determine an AE's capacities before an FP is submitted, the report noted specific challenges around AEs' capacities are difficult to detect and analyse comprehensively. First, the accreditation process cannot assess capacity issues specific to a project in a specific sector and geography. And second, it may also not be able to address specific capacity challenges with such a wide range of AEs across the world. For instance, consideration of climate rationale does not come naturally to most AEs and is specific to the GCF. ESS and gender capacities are not as strong as GCF expectations, especially in AEs with a strong commercial nature and regional entities. ⁹⁸

b. Duration of accreditation review and approval by ESS category

- On average, the accreditation process takes 531 days from submission to Board approval. The average time for approval for AEs accredited for an ESS risk category A is significantly lower (462 days) than those accredited for a category B (615 days). Entities with ESS category C take the least amount of time on average (433 days). However, it should be noted that there is no evidence that the level of ESS risk applied for by a candidate AE is the most significant factor in how long the process takes. In Figure 3 below, it is clear that the accreditation pipeline currently contains a high proportion of regional and national AEs. However, it is not possible to isolate ESS capacity as a factor for the time it takes to complete accreditation.

⁹⁴ Independent Evaluation Unit, "Forward-looking Performance Review of the Green Climate Fund (FPR)", Evaluation Report No. 3 (Songdo, South Korea, Green Climate Fund, 2019).

⁹⁵ Ibid.

⁹⁶ Moore Stephens, "Review of the Green Climate Fund's Accreditation Process and Its Operationalisation" (2018).

⁹⁷ Oliver Wyman, "Second-Level Due Diligence Framework" (2019).

⁹⁸ Ibid.

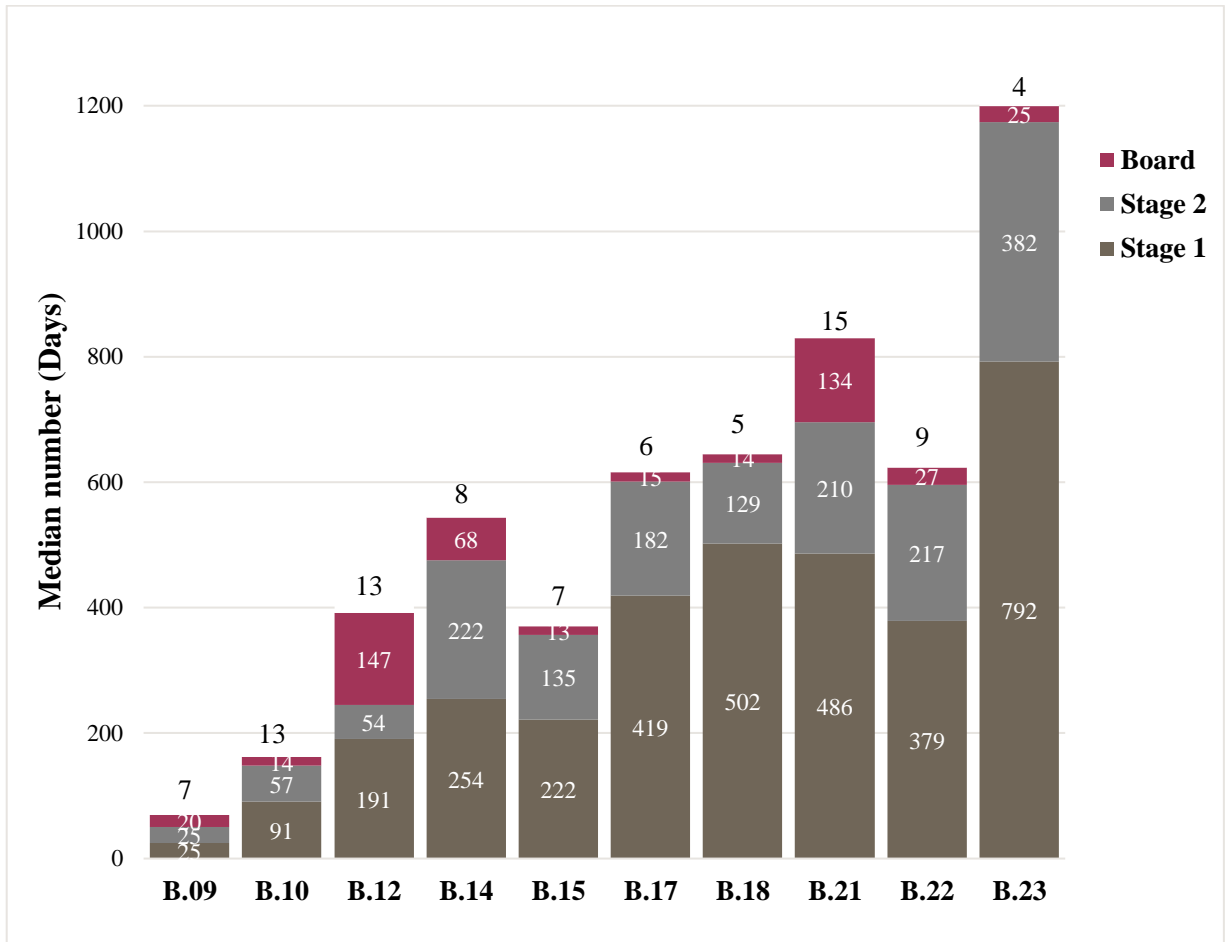


Figure IV-2. Median accreditation time (days) from application to Board approval

Source: IEU DataLab. Data extracted from 88 AEs. Data valid as of 8 July 2019.

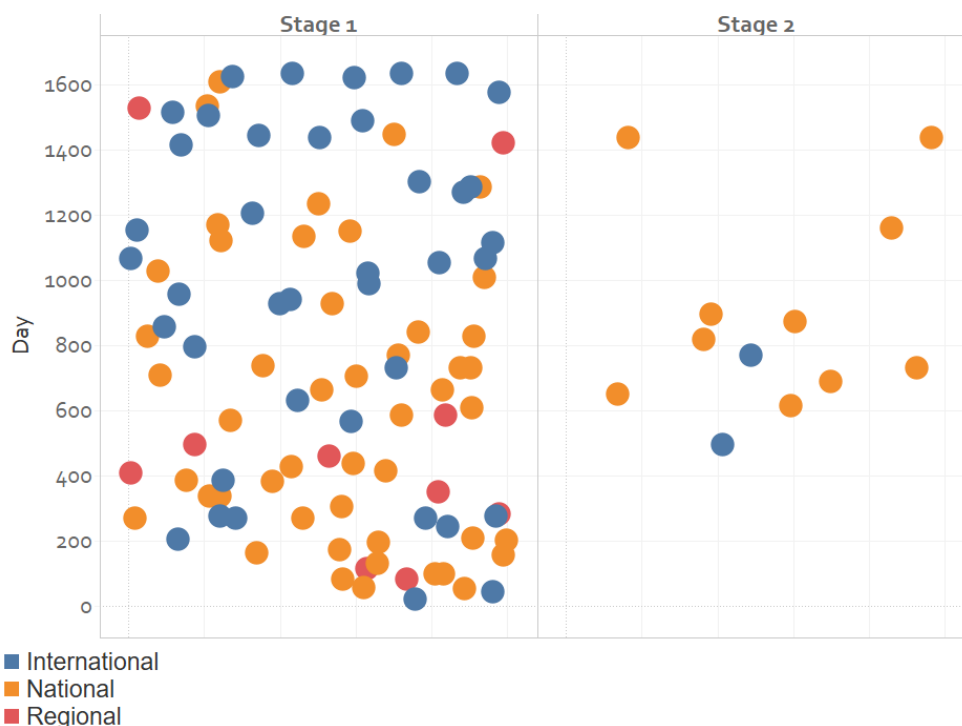


Figure IV-3. Current pipeline of AE applicants

Note: “Days” signify how many days the applicant for accreditation has been in the application process for GCF accreditation.

Source: IEU DataLab. Data extracted from 110 accreditation applications pending, 98 in Stage I and 12 in Stage II. Data valid as of 8 July 2019.

c. The accreditation review process concerning ESS

- As illustrated in Table IV-2 below, it is evident that in Stage I (the completeness check), ESS items bring about the most interaction by the Secretariat with the applicant. According to the data, 100 per cent of entities have “open items” concerning ESS issues that are brought to the entity’s attention during Stage I. At the close of Stage I, 55.6 per cent of entities still had open ESS items, resulting in ESS being the lowest clearance rate out of the seven item themes that are assessed during Stage I. It is difficult to identify the precise reason for this, but many candidate AEs are unlikely to be able to introduce new policies or standards rapidly, and address gaps in institutional processes within the limitations of the Stage I engagement, in order to arrive at “completeness”.

Table IV-2. Stage I of the accreditation process

	STAGE I THEMES						
	Background & contact	Basic fiduciary	ESS	GCF objectives	Gender	Intended scope	Specialized fiduciary
Occurrence rate	97.7%	94.3%	100%	65.9%	88.6%	54.5%	90.9%
Average (mean) items per AE	6.8 items	13 items	11 items	0.99 items	1.7 items	0.99 items	13.1 items
Incomplete rate	27%	51.3%	55.6%	4.5%	37.5%	3.4%	48.9%

Source: IEU DataLab. Data extracted from 88 AEs. Data valid as of 8 July 2019.

8. In Stage II of the accreditation process, a more in-depth qualitative assessment of the candidate entities' ESS systems is conducted by the Accreditation Panel, addressing the open items from Stage I and seeking to validate the entities' track record and capacity. The aim is to close as many items from Stage I as possible. As illustrated in Table IV-3, during Stage II, ESS items are still flagged in 100 per cent of applications. However, the average incomplete rate falls to 28.4 per cent. Open items at the end of Stage II are noted in the recommendations included in the accreditation proposal submitted by the Accreditation Panel to the Board as conditions to be fulfilled by the applicant AE before agreeing to an AMA, submitting their first FP or, in some circumstances, prior to first disbursement of their first funded project. The Accreditation Panel tracks the status of conditions and reports to the Board regularly, as part of its "Consideration of accreditation proposals" document. Only the Accreditation Panel can "close" a condition.

Table IV-3. Stage II of the accreditation process

STAGE II THEMES							
	Background & contact	Basic fiduciary	ESS	GCF objectives	Gender	Intended scope	Specialized fiduciary
Occurrence rate	3.4%	87.5%	100%	35.2%	86.3%	1.1%	87.5%
Average (mean) items per AE	0.2 items	16.8 items	12.2 items	0.8 items	3.4 items	0.01 items	27.6 items
Incomplete rate	0%	29.5%	28.4%	0%	14.7%	0%	0%

Source: IEU DataLab. Data extracted from 88 accreditation approvals. Data valid as of 8 July 2019.

9. Generally, the specific ESS risk category that candidate AEs apply for is granted or may be altered based on the institutional capacity. However, as illustrated in Table IV-4, 17 entities (out of the 88 that have been approved to date) did not receive the ESS category they originally applied for. Among the 17 entities that have been accredited to a different ESS category than originally applied for, 14 received a lower category. Three (Caribbean Development Bank, China Clean Development Mechanism, and *Fundo Brasileiro para a Biodiversidad*) received a higher ESS category than originally applied for. Of these 14 entities allocated lower ESS risk categories, all but four are DAEs. It is reasonable to assume that some DAEs may not have made the correct assessment of which category they should apply for or may be judged not to have adequate ESS policies and capacity to handle higher ESS risk category projects.

Table IV-4. Entities that received a different ESS category than that applied for

No.	AE	APPLIED ESS CATEGORY	ACCREDITED ESS CATEGORY	REASONS FOR CHANGING ESS CATEGORY
1	BOAD	A/I-1	B/I-2	The applicant meets the requirements of the interim ESS of the GCF concerning medium environmental and social (E&S) risk (category B/I-2), though various implementation capacity issues have been noted. Although the applicant has sound policies and practices concerning E&S, gender and climate matters, it will need more staff to increase the scale and scope of its activities significantly, as it has planned.
2	CDB	B/I-2	A/I-1	(b) The applicant partially meets the requirements of the interim ESS of the GCF regarding high E&S risk (category A/I-1). The applicant has an interim online

No.	AE	APPLIED ESS CATEGORY	ACCREDITED ESS CATEGORY	REASONS FOR CHANGING ESS CATEGORY
				mechanism to receive project-specific complaints and inquiries, and a permanent mechanism for external communications will be established.
3	China CDM	C/I-3	B/I-2	The applicant partially meets the requirements of the interim ESS policy of the GCF concerning the medium E&S risk (category B/I-2). The applicant's policy and practice of disclosing E&S information for category B/I-2 projects/programmes are not in line with that required by the GCF information disclosure policy (IDP).
4	CSE	B/I-2	C/I-3	It is recommended that the applicant seeks to deepen its knowledge of the Fund's interim ESS while further developing its ESMS to support a potential future application for accreditation against medium E&S risk level category B/I-2. The applicant fully meets the requirements of the Fund's interim ESS concerning the minimal to no E&S risk (category C/I-3).
5	EIF	B/I-2	C/I-3	The applicant does not fully meet the requirements of the Fund's interim ESS regarding the medium E&S risk category B/I-2 against which the applicant is seeking accreditation. However, it does fully meet the requirements for minimal to no E&S risk category C/I-3. It is recommended that the applicant seeks to deepen its knowledge of the Fund's interim ESS while further developing its ESMS to support a potential future upgrade of its accreditation for medium E&S risk level category B/I-2.
6	FDB	B/I-2	C/I-3	The applicant partially meets the requirements of the GCF interim ESS concerning the minimal to no E&S risk (category C/I-3). The applicant's current ESMS, which is largely based on its national E&S regulations, is not in line with the GCF interim ESS in several respects, as described in section 3.2 above. The applicant does not meet the requirements of the GCF interim ESS regarding the medium E&S risk (category B/I-2).
7	Funbio	C/I-3	B/I-2	The Accreditation Panel (AP) has found that the applicant's E&S and gender policy is in line with GCF requirements and is suitable for the maximum level of E&S and gender risk category B/I-2 for which the applicant is seeking accreditation.
8	IDCOL	A/I-1	B/I-2	The applicant meets the requirements of the interim ESS of the GCF concerning the medium E&S risk (category B/I-2). While the applicant initially applied for E&S category A/I-1, it did not provide an adequate track record for category A/I-1 and subsequently indicated that it wished to apply for category B/I-2.
9	KDB	A/I-1	B/I-2	Although the applicant has applied for E&S risk category A/I-1, it is recommended that the applicant be accredited instead for category B/I-2, reflecting the fact that a large number of the applicant's new E&S policies and practices are not yet tried and tested. However, the

No.	AE	APPLIED ESS CATEGORY	ACCREDITED ESS CATEGORY	REASONS FOR CHANGING ESS CATEGORY
				applicant may wish to consider applying for an E&S risk category upgrade if accredited and once it has demonstrated conformance to the GCF interim ESS for a category B/I-2 project, and has provided further evidence of the execution of its E&S capacity-building programme. This could be within the first five-year accreditation period.
10	LuxDev	B/I-2	C/I-3	Most of the applicant's project and related experience falls in category C, and it does not have recent experiences with category A and B projects/programmes. The AP finds that the applicant's monitoring and review programme is suitable for the lower level of E&S risk category C/I-3 projects/programmes.
11	Pegasus (PCA)	A/I-1	B/I-2	The applicant partially meets the requirements of the interim ESS of the GCF regarding the medium E&S risk (category B/I-2), with the main gaps being the final adoption of the draft GRM and procedures (with a register for recording E&S-related complaints), and the adoption of a public consultation and IDP in line with requirements under the GCF IDP for category B/I-2 projects/programmes.
12	Profonanpe	B/I-2	C/I-3	The applicant meets the requirements of the interim ESS of the GCF in relation to the lower level of E&S risk (category C/I-3).
13	PT SMI	A/I-1	B/I-2	The applicant partially meets the requirements of the interim ESS of the GCF in relation to the high E&S risk (category A/I-1). (More time is needed to detail some internal administrative and financial procedures further, and to demonstrate the full application of the new 2016 ESS guidance, as it moves from country systems to the interim ESS standards of the GCF.)
14	SIDBI	A/I-1	B/I-2	The applicant applied for the high E&S risk category A/I-1. Given the applicant's experience and typical mandate, the AP recommended accreditation for category B/I-2. The AP recognizes that the micro, small and medium-sized enterprise (MSME) sector typically encompasses thousands of small entities, with each entity conducting small-scale activities within industrial zones. Each subproject is likely to be category B/I-2 or category C/I-3. However, there are some MSME activities, no matter how small scale, which could be category A/I-1 (e.g. projects involving the production of pesticides). All category A/I-1 activities should be excluded at this time. However, the applicant may wish to apply for an upgrade in its accreditation type related to the E&S risk category once it has demonstrated a track record of successfully applying GCF requirements for category B/I-2 and category C/I-3 projects/programmes, and has accrued a track record of implementing category A projects/programmes under the 2017 environmental and social management framework (while using other

No.	AE	APPLIED ESS CATEGORY	ACCREDITED ESS CATEGORY	REASONS FOR CHANGING ESS CATEGORY
				funding sources). This could be within the first five-year accreditation period.
15	SPREP	B/I-2	C/I-3	The applicant fully meets the requirements of the Fund's interim ESS in relation to the minimal to no E&S risk category (category C/I-3). For some items, the applicant demonstrates a greater degree of ESMS maturity than is required by the Fund's interim ESS for category C/I-3 against which the applicant is seeking accreditation. The Panel recognizes that an effective ESMS is a dynamic and continuous process which should be appropriate to the nature and scale of the project/programme being financed, and commensurate with the associated level of E&S risks and impacts. It is recommended that the applicant seeks to deepen its knowledge of the Fund's interim ESS while further developing its ESMS to support a potential future application for accreditation against medium E&S risk level category B/I-2.
16	UNDP	A/I-1	B/I-2	The applicant demonstrates a greater degree of ESMS maturity than is required by the Fund's interim ESS for category B/I-2 against which the applicant is seeking accreditation. Building its experience in implementing higher-risk projects and programmes, UNDP may, in the future, seek accreditation against the high E&S risk (category A/I-1).
17	WWF	A/I-1	B/I-2	The applicant meets the requirements of the interim ESS of the GCF in relation to the medium E&S risk (category B/I-2).

Source: IEU DataLab. Data extracted from the accreditation proposals submitted to the Board by the Accreditation Panel. Data valid as of 8 July 2019.

10. During the IEU's consultations, the Accreditation Panel members noted MDBs are typically reluctant to consider revising their policies specifically to meet GCF requirements. Issues also arise when MDBs periodically revise their ESS policies and standards, which may create differences or inconsistencies with the GCF ESS policy. In the case of DAEs, the Accreditation Panel has to deal with very diverse institutional identities and contexts, with a limited scope to arrive at a realistic assessment of capacity on the ground. Site visits have been infrequent (it is not clear why this is the case), but the evidence suggests that these are extremely helpful for DAE candidates when they do take place. Members of the Accreditation Panel noted that they find themselves facing the potential need to help candidates to build an understanding and capacity concerning ESS and gender requirements during the accreditation process.
11. Overall, the Accreditation Panel acknowledged that the accreditation process needs improvement. They see possible advantages in the potential option of having a lighter touch on ESS policies and capacity during accreditation, with more rigorous due diligence at the project stage. They also highlighted the need to introduce more guidance and tools. For example, the use of a "consolidated checklist" (combining those for Stages I and II) and associated reforms in the process, as presented to the Board (B.23).⁹⁹ They also indicated that they had little or no role in putting together the

⁹⁹ GCF/B.22/05.

checklist or even advising on it. Their mandate was only to look at the accreditation checklist and to cross off items. In the Secretariat, staff members see themselves as “working in a post office” with little role to play in accreditation other than doing a document check in Stage I. The Accreditation Panel independently sets the conditions and covenants to be followed up with, before the candidate entities’ applications go to the Board. The Secretariat has little to no interaction with the Accreditation Panel to discuss the implications of conditions and covenants.

12. In summary, the evidence, from consultations and the portfolio analysis, suggests that **the assessment of AEs’ ESS policies, standards, institutional processes and track record during the accreditation process is comprehensive but remains a desk review exercise without any assessment of adequate capacities to implement ESS policies and monitor ESS-related considerations during implementation.** The emphasis is on compliance with ESS policies and processes, including staffing and track record. The capacity to foster environmental and social performance through co-benefits during future project implementation is omitted entirely.

2. WHAT SUPPORT, IN THE FORM OF THE RPSP AND PPF, HAS BEEN PROVIDED TO AEs, IN PARTICULAR DAEs, TO HELP INCREASE CAPACITY TO APPLY THE CURRENT ESMS, INCLUDING THE ESP AND ESS STANDARDS?

13. To answer this question, we examine the support provided by the RPSP and PPF intended to help increase the capacity of candidate AEs to participate in GCF financing. The analysis includes data from the portfolio analysis on RPSP and PPF support, as well as interviews with Secretariat staff.

a. RPSP support for ESS capacity-building

14. The RPSP covers several different activities with different implications for ESS capacity at the country and AE level, which we examine below. Next to the support for countries, including for the preparation of NAPs (of up to USD 3 million), and support for NDAs and strategic frameworks (of up to USD 1 million per country per year), the RPSP can be employed to support candidate DAEs and may include efforts to strengthen ESS capacity to meet the requirements of the accreditation process or to address ESS gaps post-accreditation. To support this objective, the Secretariat has established a contract with the consulting firm PricewaterhouseCoopers (PwC) to deliver support to regional or national entities. The Fund also provides ESS support to NDAs/DAEs via technical assistance delivered by individual consultants and specialized firms. In addition, a request for proposals (RFP) is currently being prepared to provide support for ESS training at the country level.
15. The overall breakdown of readiness preparatory support funding to date is presented in Figure IV-4 and Table IV-5 below. The data show that the majority of readiness funds have been provided in the form of country programming support and NAP development, with the remainder being provided for structured dialogues and workshops, as well as DAE support provided through the contract with PwC.

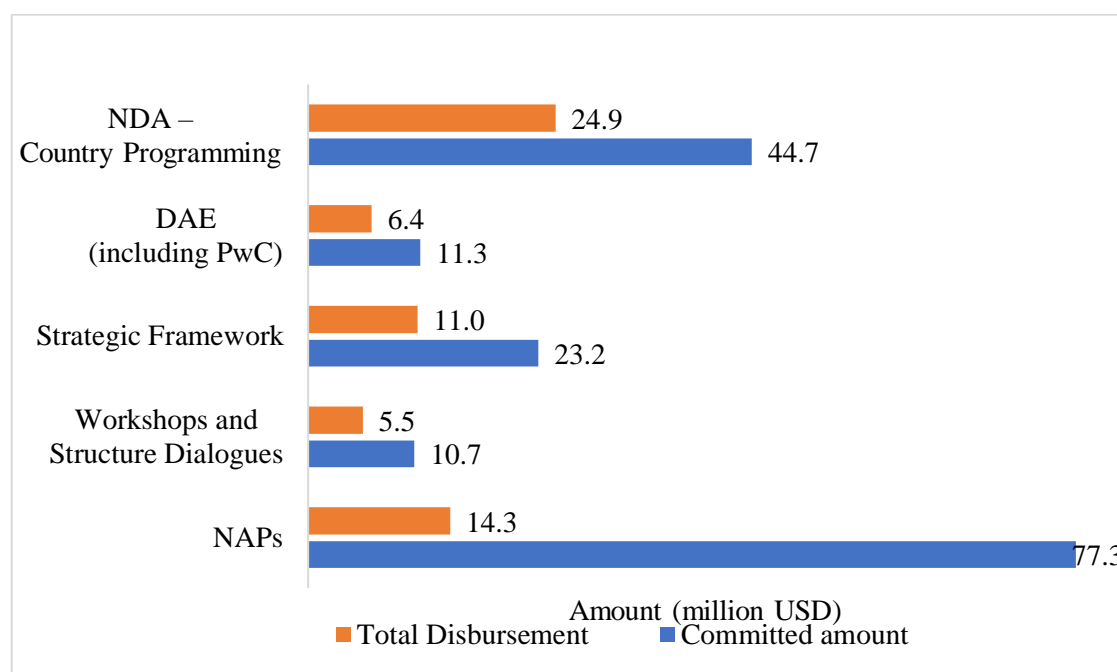


Figure IV-4. Types of RPSF funding

Source: IEU DataLab. Data extracted from the Readiness programme. Data valid as of 8 July 2019.

Table IV-5. Number of approved RPSF funding grants

RPSP TYPE	NO. OF GRANTS	COMMITTED AMOUNT (USD MILLION)	TOTAL DISBURSEMENT (USD MILLION)
NDA-country programming	123	44.7	24.9
DAE (including PwC)	60	11.3	6.4
Strategic framework	49	23.2	11.0
Workshops and structured dialogues	29	10.7	5.5
NAPs	29	77.3	14.3
Total	290	167.3	62.2

Source: IEU DataLab. Data extracted from the RPSF programme. Data valid as of 8 July 2019.

16. A crucial element of the support to national authorities is the support for NAPs. In the application process to receive NAP funding from the GCF, a set of review criteria must be met. Two specific points from the review criteria for NAP funding relate directly to ESS issues. For example, review criterion #2 requires a “Plan to address specific vulnerabilities and climate impacts”, and review criterion #7 requires “Gender considerations”. As of 8 July 2019, the IEU DataLab had analysed all received NAP approval memos (of which there were 29 at the time of reporting). The analysis revealed that only one proposal for RPSF support specifically focused on improving national capacity to understand and address ESS for climate financing. This proposal was submitted in 2018 by the United Nations Environment Programme (UNEP), for Honduras, to ensure the relevant government entities and other stakeholders have a sound and effective approach to assessing safeguards issues relating to climate programmes and projects in the future. However, it should be

noted that some ESS support at the national level may also be included in other, more broadly focused RPSP support. The IEU DataLab looked at 35 RPSP completion reports and identified that NDAs had used a large proportion of these grants to build ESS capacity for DAEs and NDAs. Please see Figure IV-5.

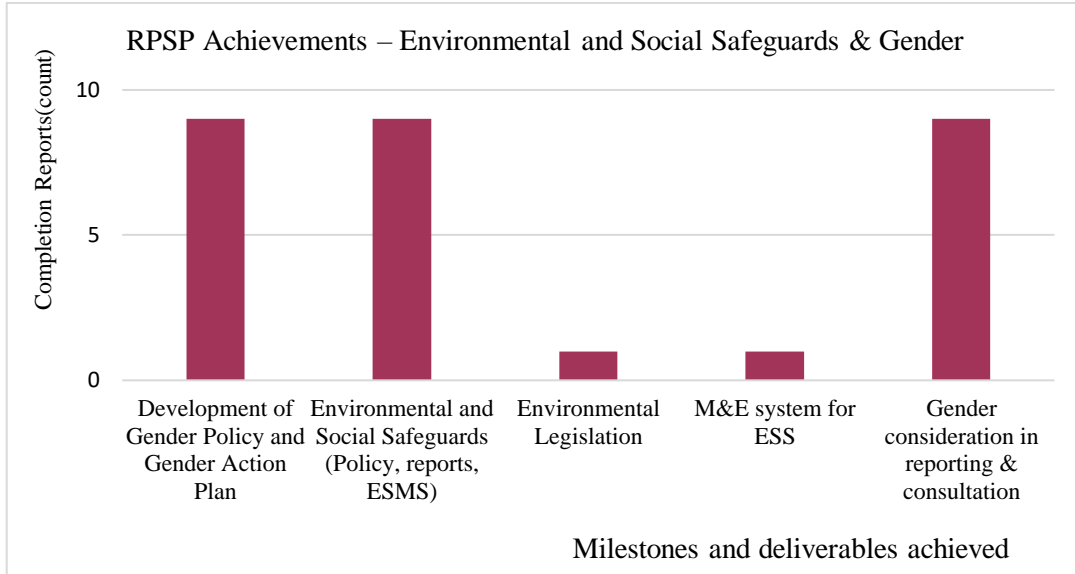


Figure IV-5. ESS achievements from RPSP completion reports

Source: IEU DataLab. Data extracted from 35 submitted RPSP completion reports. Data valid as of 20 October 2019.

- Of direct relevance to the ESS element of the accreditation process is the RPSP support to candidate AEs before and after going through the accreditation process. Based on consultations with the Secretariat’s Readiness team, NDAs can request support in the form of an “ESS gap analysis and action plan” for potential candidate AEs, carried out by a consultancy firm. Following that, NDAs and the potential AE can choose to (a) take action on their own to close the gaps concerning ESS and gender; (b) request access to support from a Secretariat roster of consultants, drawing on NDA RPSP funds; and (c) submit a self-standing request for RPSP support using a delivery partner of their choosing.

According to the data provided by the Secretariat, USD 1.45 million has been allocated to the ESS gap analysis and action plans for potential candidate AEs supported by PwC. Of those that have received pre-accreditation support (36 entities as per

18. Table IV-6), 7 AEs have completed the accreditation process, and 29 candidate AEs are in the accreditation pipeline with the benefit of this support. Nevertheless, it is difficult to determine how much of this specific RPSP support has contributed to filling ESS-related gaps identified in the accreditation process. Figure IV-6 illustrates the key gaps identified through the gaps analysis, but there appears to be limited reporting on the results of these forms of support.

Table IV-6. Pre-accreditation RPSP support

DELIVERY PARTNER	ONLINE ACCREDITATION SYSTEM ACCOUNT	STAGE I APPLICANT	STAGE II APPLICANT	ACCREDITED	TOTAL
PwC	19	9	1	7	36
UNEP	0	0	0	1	1
EIB	0	0	0	1	1
GIZ	0	0	1	4	5
Total	19	9	2	13	43

Source: IEU DataLab. Data valid as of 8 July 2019.

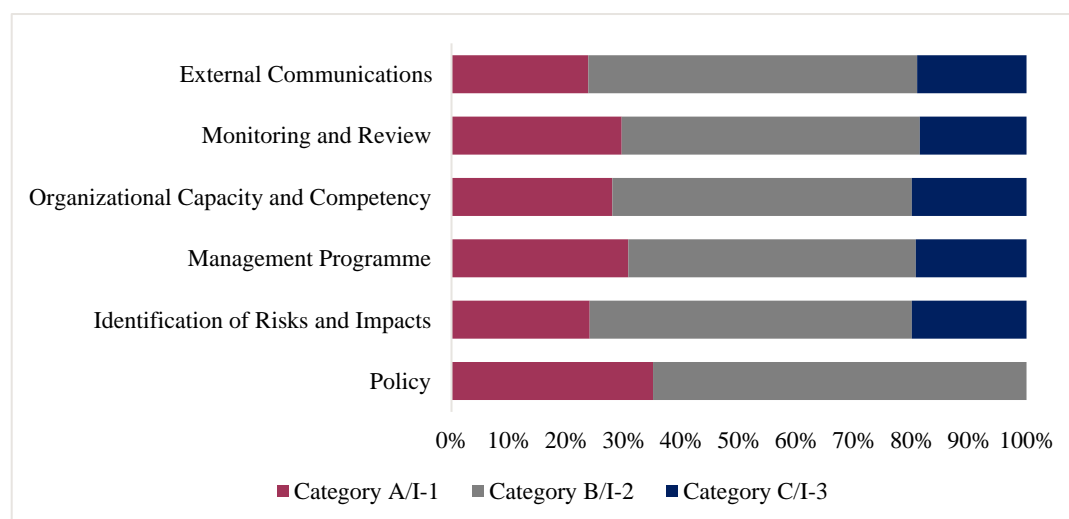


Figure IV-6. Key gaps identified in ESS through pre-accreditation assessments by PwC

Note: Chart organized by candidate AEs and their ESS category.

Source: IEU Datalab. Data extracted and codified from PwC Gap Assessments reports received by the Secretariat. Data valid as of 8 July 2019.

19. The consultations with NDAs and AEs indicated that there is a limited understanding of the RPSP and how to access it easily at the country level. This is in line with the RPSP evaluation done by the IEU in 2018 that reported, among other things, that DAEs are still struggling to get accredited and that there are challenges in accessing RPSP funds to help with this.¹⁰⁰ Specifically, candidate DAEs revealed that they are not well informed of the opportunity to access RPSP support before or after accreditation that would help with meeting ESS requirements and addressing gaps that may hinder their application. Those that have been informed voiced some frustration at the complexity and time involved in applying for RPSP or PPF support. In addition to this, the RPSP template does not identify support regarding ESS and gender.
20. In summary, it is **unclear to what extent the RPSP has helped increase ESS capacities**. The technical assistance, through PwC, provides no structured reported evidence on how this assistance has helped the AE in building capacity. Also, consultations with the Secretariat and iTAP indicated

¹⁰⁰ Independent Evaluation Unit, "Independent Evaluation of Green Climate Fund Readiness and Preparatory Support Programme" (Songdo, South Korea, Green Climate Fund, 2018).

that there are weaknesses in the capacity to identify and implement ESS and gender considerations and performance during the project design and implementation process. The RPSP completion reports are the only source of evidence to show that NDAs have used a large proportion of these grants to build ESS capacity for DAEs and NDAs (see Figure IV-5 above). The analysis also revealed that limited support is targeted at candidate AEs to help them prepare for the accreditation process, and some support is targeted at AEs to fill gaps after accreditation. There is limited reporting on the results of these forms of support.

b. Project Preparation Facility support for ESS during project development

21. In this section, we examine how the PPF support has contributed to improving AEs' preparation to apply ESS policy and standards when preparing FPs. The analysis draws on the portfolio analysis of PPF requests and interviews with the Secretariat, AEs and NDAs.
22. A total of USD 40 million has been approved by the Board for the initial phase of the PPF, with each request subject to a cap of USD 1.5 million. As of 8 July 2019, the Secretariat had approved 23 PPF requests, with USD 8.31 million being disbursed. In analysing the portfolio of approved PPF requests, it is evident that ESS work receives a high level of support (see Figure IV-7). All 23 of the approved PPF requests have included some form of ESS study or assessment. PPF support has been used frequently for the hiring of ESS consultants to help support the preparation of the ESS assessment work during project preparation. However, the PPF portfolio remains nascent, with only USD 15.01 million being committed as of 8 July 2019, out of the USD 40 million approved for the initial phase of the PPF. Some 23 per cent of the approved PPF amount committed has thus far gone to IAEs, and 77 per cent to DAEs (see Table IV-7).

Table IV-7. Project Preparation Facility by access modality

ENTITY TYPE	# APPROVED PPF	GCF COMMITTED AMOUNT (USD MILLION)	DISBURSEMENT AMOUNT (USD MILLION)
DAE	16	11.54	6.11
IAE	7	3.47	2.2
Total	23	15.01	8.31

Source: IEU Datalab. Data extracted and codified from the 23 PPF grants that were approved as of 8 July 2019.

23. While the PPF has a variety of studies and assessments attributed to it, there is no explicit mention/inclusion of co-benefit identification/planning in its remit. Figure IV-7 below, illustrates that from all approved PPF grants as of 8 July 2019, “pre-feasibility, feasibility studies and project design” received the highest budget from the PPF portfolio, followed by “environmental, social and gender studies”; “risk assessments” received the least amount of funding. Figure IV-8 presents an analysis of the PPF funding that has gone to activities categorized as “environmental, social and gender studies”. Gender studies and analysis are included in 91 per cent of all approved PPF requests (21 of the 23 approved PPF requests as of 8 July 2019), and the development of an ESMP is included in 83 per cent. Activities related to land acquisition and resettlement action plans are included in 22 per cent of the 23 approved PPF requests.

Box IV-1. Pre-feasibility and feasibility studies

Pre-feasibility and feasibility studies serve the same purpose: presenting technical, environmental, social or policy assessment of the feasible options/solutions for the proposed project/programme and proposing outcomes and recommendations with the most feasible and sound options for the project/programme. The key differences of the feasibility studies are that they use primary and secondary data sources, incorporate in-depth technical design studies for the proposed technological solutions, may involve detailed engineering study/analysis with testing work and on-site appraisals, and include a deeper analysis and testing of each feasible option.

Source: The GCF guidance document for preparing a pre-feasibility study under the SAP.¹⁰¹

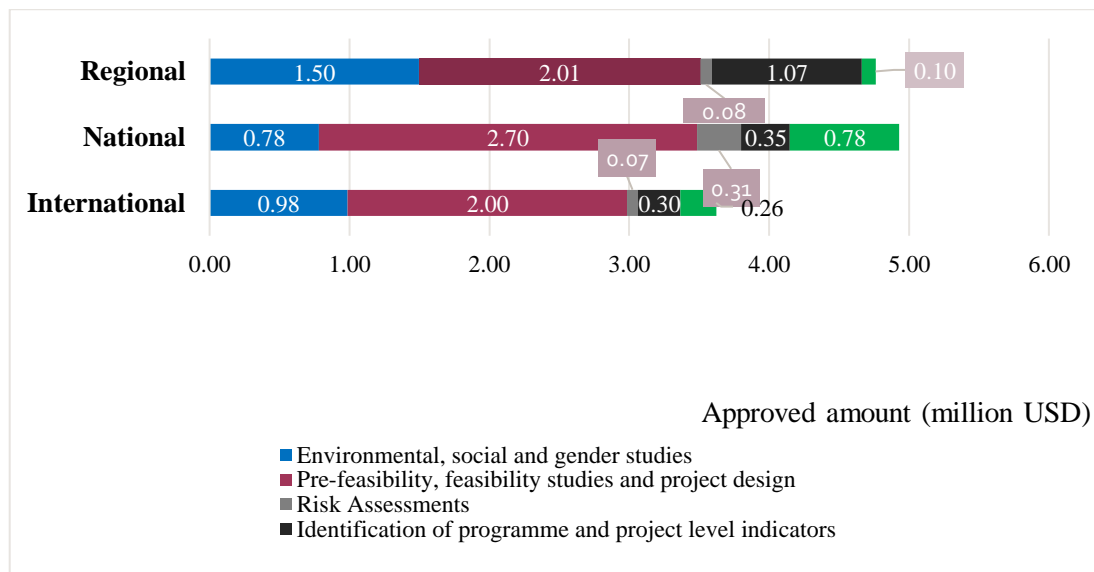


Figure IV-7. Financial details and breakdown for each PPF activity by access modality

Source: IEU DataLab. Data extracted and codified from the 23 PPF grants approved as of 8 July 2019.

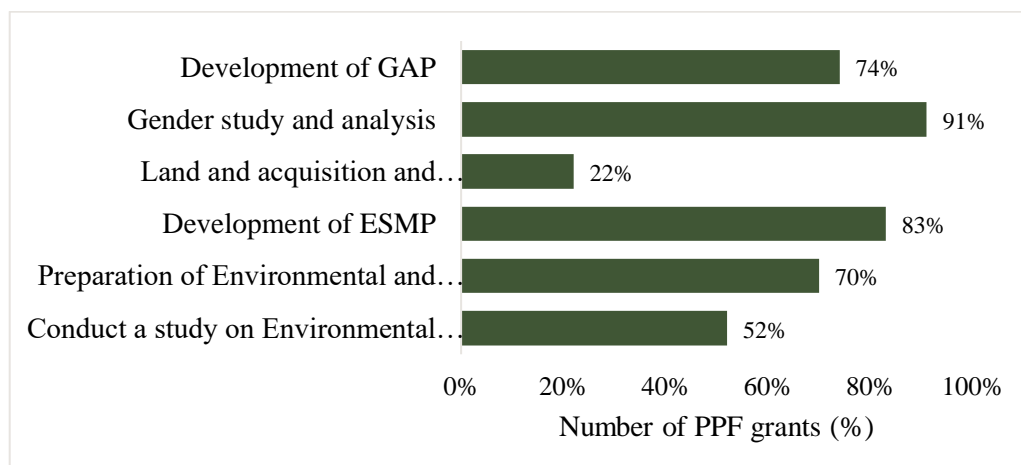


Figure IV-8. Funding committed to environmental, social and gender studies (from 23 approved PPF requests)

Source: IEU DataLab. Data extracted and codified from the 23 PPF requests approved as of 8 July 2019.

¹⁰¹ GCF Board Decision B.18/06. “Guidance for preparing a pre-feasibility study under the Simplified Approval Process.”

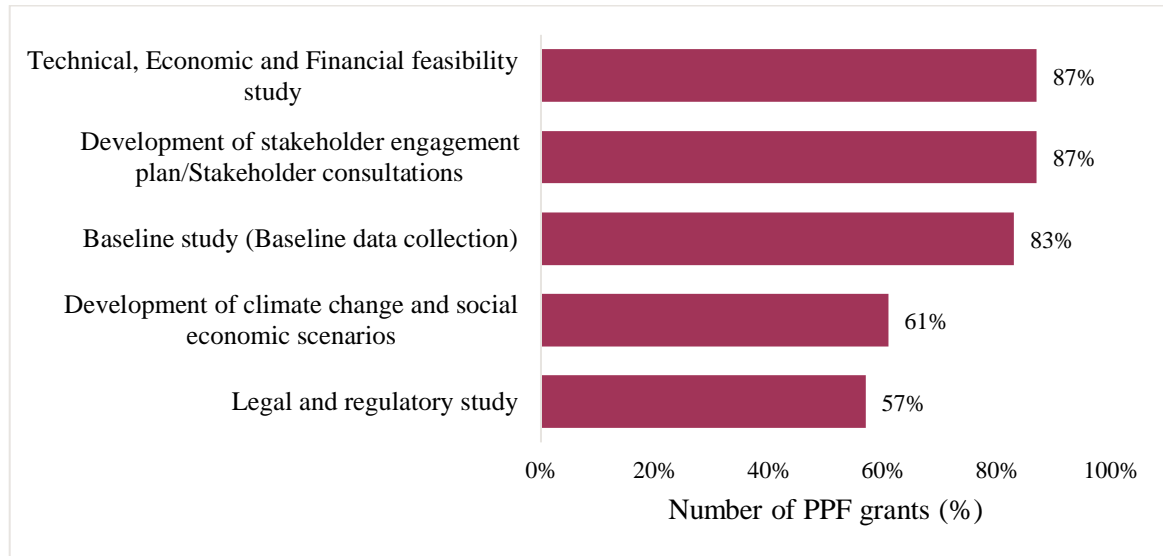


Figure IV-9. Funding committed to pre-feasibility and feasibility studies (from 23 PPF grants)

Source: IEU DataLab. Data extracted and codified from the 23 PPF grants approved as of 8 July 2019.

24. Based on consultations with the GCF Secretariat, DAEs and AEs that have been involved in the PPF requests, it can be noted that, as with the RPSF grants, the processing time of PPF requests have been viewed as cumbersome. Not only is this issue understood to be an obstacle by AEs, but it is also accepted as a majority issue by the Secretariat. Portfolio analysis of all 23 approved PPF requests (as of 8 July 2019) has found that, on average, it takes 199 days from submission to approval for a PPF request. Long waits are not only expected from submission to approval of PPF requests; it takes a further 154 days until the first disbursement of PPF funds, meaning that it **takes (median) 353 days from the proposal until the first disbursement of PPF funds**. While the median time until disbursement has decreased from 454 days in 2016 to 175 days in 2019 (see Figure IV-10), the process still takes too long compared to comparator organizations, such as the AF and GEF.
25. **Even more alarming is the fact that only one CN that has received PPF funding (PPF001) and has gone on to be approved as an FP by the Board.** While the FP did not receive any comments/recommendations from the Secretariat in terms of its ESS reports/plans, this time lag (i.e. almost three years between submission of FP and effectiveness date) clearly illustrates that there are issues with the efficiency of the PPF pilot scheme.

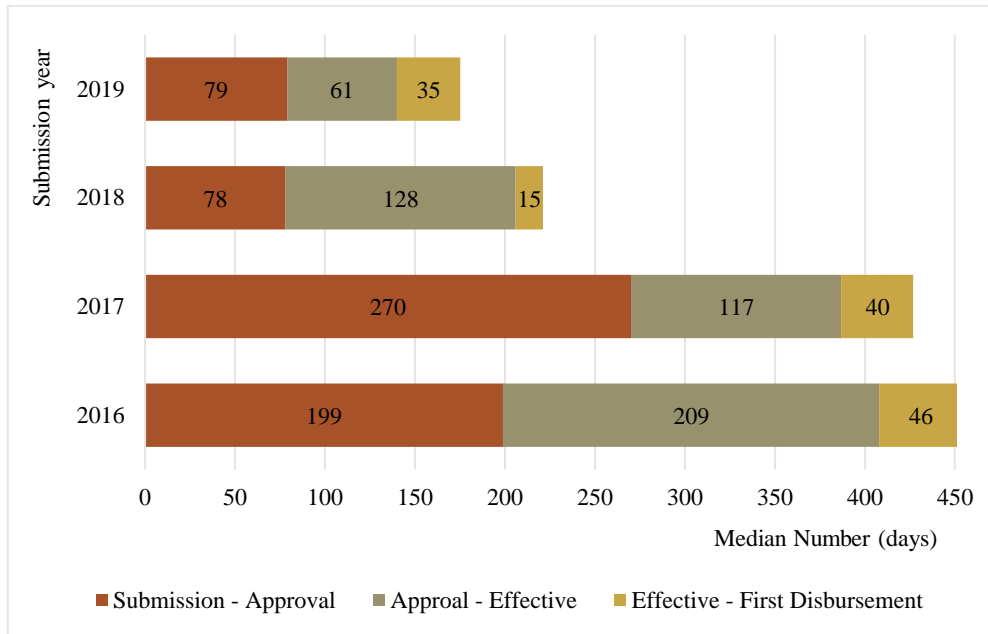


Figure IV-10. Median number of days for processing PPF support by submission year

Source: IEU DataLab. Data extracted and codified from the 23 PPF grants approved as of 8 July 2019.

C. FINDINGS

To what extent has the GCF accreditation process been effective in assessing the capacity of prospective AEs to prevent, manage or mitigate adverse environmental and social impacts, as well as in setting the standards for environmental and social performance and achieving co-benefits?

26. The evidence, from KIIs and the portfolio analysis, suggests that the **assessment of AEs' ESS policies, standards, institutional processes and track record during the accreditation process is comprehensive but remains a desk review exercise without any assessment of adequate capacities to implement ESS policies and monitor ESS-related considerations during implementation.** The emphasis is on compliance with ESS policies and processes, including staffing and track record. A solely paper-based approach to accreditation may increase the likelihood of reputational and other risks. **The capacity to foster environmental and social performance through co-benefits during future project implementation is not assessed.**
27. The updated portfolio analysis indicates little change in the time it takes for an AE to be accredited. Candidate AEs that were approved in B.23 waited an average of 1,178 days for their accreditation. **Several reports commissioned by the GCF Secretariat (see Table IV-1) suggest that the accreditation framework requires further reforms to address current efficiency and effectiveness concerns. An increase in the number of DAEs applying for accreditation, with diverse institutional identities and ESS capacities, makes these concerns greater.** These reports and consultations also recognized that the current accreditation approach, albeit with different checklist requirements for the three ESS categories, **may need to be reviewed as the GCF pursues its target of greatly increasing the accreditation of DAEs.**

What support in the form of the RPSP and PPF has been provided to AEs, in particular DAEs, to help increase their capacity to apply the ESMS, including ESP and ESS?

The RPSP seems to contribute in important ways to strengthening ESS capacities, but the RPSP fails to adequately monitor and report on the strengthening of the capacity of candidate AEs regarding the ESS and gender policies, standards and institutional mechanisms. The RPSP completion reports are the only source of evidence to show that NDAs have used a large proportion of these grants to build ESS capacity for DAEs and NDAs (see Figure IV-5 above). The analysis also revealed that there is limited support targeted at candidate AEs to help them prepare for the accreditation process, and some support is targeted at AEs to fill gaps after accreditation. There has only been one proposal for RPSP support specifically focused on improving national capacity to understand and address ESS. Of those that have received pre-accreditation support (36 entities as per

28. Table IV-6), only 7 AEs have completed the accreditation process, and 29 candidate AEs are in the accreditation pipeline with the benefit of this support. There is limited reporting on the results of these forms of support.
29. **It appears that NDAs and candidate DAEs are not well informed about access to RPSP support or are discouraged by the complexity and duration of the application process.** Several DAEs or candidate DAEs interviewed during the country case studies revealed that they were not fully aware of how to access RPSP funds to help prepare accreditation applications or address capacity gaps concerning ESS requirements. This may reflect shortcomings in communication from NDAs (and from the GCF to NDAs), who are responsible for requesting RPSP support.
30. **The PPF supports ESS-related considerations in the preparation of FPs but does not promote the inclusion of co-benefit identification and planning.** While the PPF has a variety of ESS studies, impact assessments and risk management/mitigation tools attributed to it, there is no explicit mention/inclusion of co-benefit identification/planning in its remit. In addition, its support is not strategic. This a missed opportunity given this is the earliest stage the GCF Secretariat could come in and help with shaping a project in collaboration with the AE. The processing time of PPF proposals is also viewed as cumbersome. As of 8 July 2019, there were only 23 approved PPF requests. **Even more alarming is the fact only one CN that has received PPF funding (PPF001) has gone on to be approved as an FP at the Board.**

D. CONCLUSIONS AND RECOMMENDATIONS

31. **The current accreditation approach, albeit with different checklist requirements for the three ESS categories, is not adequate to address the challenge for DAEs with regard to ESS.** DAEs have widely varying levels of ESS capacity and may not be able to demonstrate a track record as required. A differentiated approach has been advocated as a potential way forward. Moreover, the data of this evaluation support the concerns highlighted in both Secretariat reviews and the IEU evaluations (notably the FPR) related to the efficiency and effectiveness of the overall accreditation process.
32. While accreditation includes an assessment of AEs' ESS policies, standards and institutional processes, **it remains a desk review exercise without an assessment of the AEs' capacity to implement ESS policies and monitor ESS considerations for compliance and impact.** Moreover, **the ability to foster environmental and social performance through co-benefits during future project implementation is not assessed during accreditation.** With the expected increase in DAEs seeking accreditation, it is likely the process may not be fully equipped to avoid any ESS-related and reputational risks.
33. The RPSP seems to be an important element of ESS capacity strengthening but fails to adequately monitor and report on the strengthening of the capacity of candidate AEs with regard to the ESS and gender policies, standards and institutional mechanisms. Moreover, the PPF does not promote the inclusion of co-benefit identification/planning in its remit, and processing times are too long to effectively and efficiently assist the IAEs and DAEs. The recommendations are as follows:
 - The GCF should consider adopting a strategy for accreditation that aligns with the GCF's overall strategy. Such a strategy should consider options for a differentiated approach to accreditation, in respect to the ESS policy and capacity required for DAEs, to further strengthen the "fit-for-purpose" accreditation model and as the GCF pursues its target of greatly increasing the accreditation of DAEs. Such options also need to address the capacity requirements of AEs to foster environmental and social performance during implementation. Specifically,

reaccreditation should start to consider the extent to which entities have planned and realized co-benefits and climate, environmental and social performance in their overall portfolios.

- The GCF should ensure that the accreditation process has a robust assessment, which is not just desk-based, of the **AE's institutional capacity to monitor and report on the implementation of ESS management measures and environmental and social performance**.
- The GCF should increase the support available to candidate DAEs before and after accreditation to address ESS requirements through the RPSP.
- The GCF should track and report on the RPSP support for ESS capacity for candidate DAEs that is currently reflected in the RPSP completion reports.
- RPSP template should be reviewed and restructured to identify support regarding ESS and gender.
- The GCF should consider adopting a strategy for the application of the PPF to ensure its effectiveness in preparing climate-relevant and innovative FPs. It should also improve the processing times of the PPF.
- The PPF needs to be recalibrated to sharpen its focus, shorten its procedures, fit properly with the project cycle.
- The PPF team should be staffed commensurately and its location within the GCF's organizational structure should be re-examined.

Chapter V. THE ESMS IN THE GCF'S PROJECT DESIGN AND APPROVAL

KEY RECOMMENDATIONS

- **The GCF must strengthen and implement processes to identify environmental and social performance and co-benefits and ensure they are monitored and reported upon with rigour and credibility. It should also adopt KPIs to guide projects on impact reporting regarding ESS.** In developing the ESMS, the GCF should prepare guidance as follows:
 - Guidance for AEs and for the Secretariat on how co-benefits may be identified/avoided and mitigated for the proposed project/programme
 - Guidance as to how the estimated co-benefits can be quantified using impact indicators
 - Guidance as to how to integrate co-benefit monitoring with ESS monitoring
- **The GCF's investment criterion for sustainable development potential** needs to be better defined and should include **equity** as a consideration.
- **The GCF should establish procedures for addressing CSO active observer comments on FPs related to ESS.** There should be policies and procedures for engaging CSOs at the Board level and at the project level, and all relevant FPs' documentation should be made public.
- The GCF should **strengthen and focus the PPF** to help build capacities on environmental and social performance and co-benefits. It should ensure dedicated technical assistance with the aim of facilitating access, enhancing effectiveness and achieving impact at scale.
- **The GCF should ensure the tools and systems set out in the MAF are able to capture all information that enables follow-up on FAA conditions.** Specifically, the GCF should operationalize the portfolio management system (also see Chapter V).

KEY FINDINGS

- The distribution of ESS risk categories in the GCF portfolio is expected, given the scale of the GCF portfolio.
- The GCF Secretariat ESS/Sustainability team, despite its comparatively small staffing numbers, conducts systematic due diligence of the ESS risk component of FPs as part of the Secretariat review. However, due diligence does not seem to include an assessment of environmental and social performance (over and above risk mitigation) nor a focus on identifying and evaluating co-benefits.
- AEs identify co-benefits in almost all FPs. However, the process for identifying co-benefits is not systematic, and there is no guidance on identifying or reporting on these.
- The analysis of CSO active observer comments at the time of submission of FPs to the Board demonstrates that a variety of ESS issues are raised but are not routinely followed up by the Secretariat or AE.
- A majority of ESS conditions attached to FAAs are "covenants" – that is, they do not specify a time frame for their fulfilment. It raises concerns regarding the efficient tracking of them through current tools, based on AE's self-reporting.

A. INTRODUCTION

1. This chapter examines the GCF project cycle from CNs to FP submission, including the project appraisal process. The key question is as follows:
To what extent have the GCF's ESP and standards been efficiently and effectively incorporated in project design and approval (from CNs, FPs and SAP, to iTAP)?
2. We examine two sub-questions:
 - How effectively is the ESMS applied to CNs and FPs, and to what extent do projects seek to achieve co-benefits? To what extent is the Secretariat appraisal of public sector FPs different from that of the private sector FPs concerning ESS?
 - How effectively and efficiently has the ESMS been applied in the approval process and FAAs?

B. DATA AND ANALYSES

3. Here we discuss the two sub-questions.
 - 1. HOW EFFECTIVELY IS THE ESMS APPLIED TO CNs AND FPs, AND TO WHAT EXTENT DO PROJECTS SEEK TO ACHIEVE CO-BENEFITS? TO WHAT EXTENT DOES THE SECRETARIAT APPRAISAL OF PUBLIC SECTOR FPs DIFFER FROM THAT OF THE PRIVATE SECTOR FPs WITH REGARD TO ESS?**
4. To answer this question, we examine how the Secretariat and iTAP apply the ESS policy and standards in the course of the overall project cycle (see Figure V-1), using data from the portfolio analysis – specifically data relating to the Secretariat and iTAP review of FPs, complemented by interviews with the Secretariat, iTAP members and CSOs, and from the country case studies.

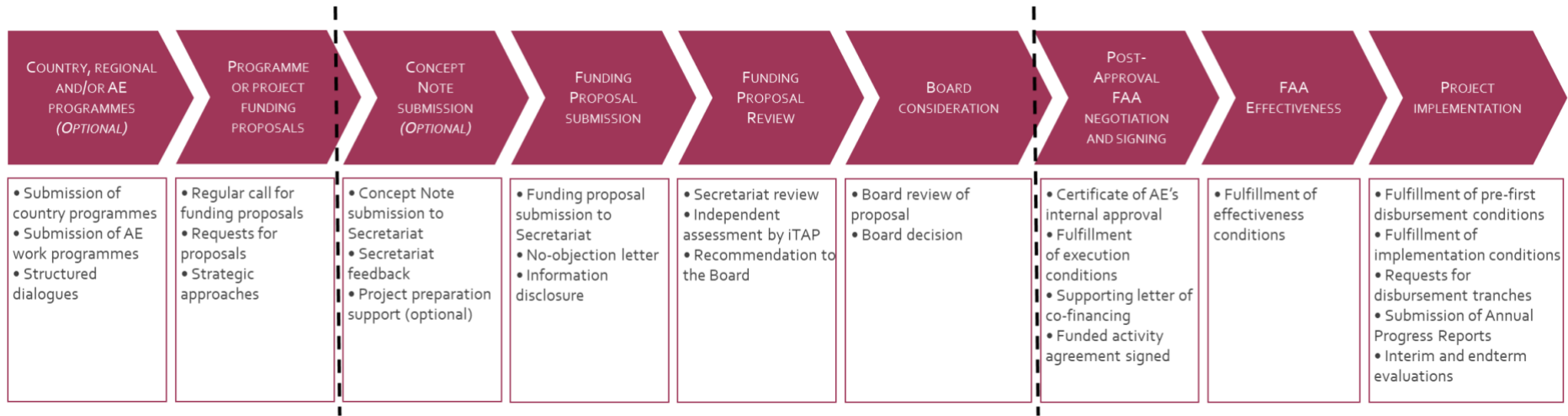


Figure V-1. GCF project cycle

Source: IEU, Forward-looking Performance Review of the Green Climate Fund (FPR) (2019).

a. Review of CNs and FPs

5. **Secretariat review of CNs:** Prior to November 2019,¹⁰² the submission of CNs was optional, except under the SAP and the PPF. Overall, early submission of CNs provides an opportunity for interaction between the AE and the Secretariat. When this is the case, it provides an opportunity for the early involvement of the Secretariat, in particular the programming divisions, to determine the level and nature of any environmental and social risks. **Based on the data available from Secretariat reviews, it is difficult to determine the extent to which these enhance performance, although it is clear that Secretariat reviews lead to risk mitigation.** While the Secretariat staff suggested during consultations that a CN may help to discuss the viability, technical aspects and feasibility of a potential project early, there is no further guidance on how and who assesses CNs or indeed to what extent CNs should be assessed.
6. **PPF:** From its conception, in Board decision B.11/24, the PPF has been identified as a potential vehicle for aiding DAEs in the process of developing projects that would meet the criteria and minimum requirements for Board consideration. While the PPF has supported a variety of ESS studies, impact assessments, and risk management/mitigation tools, **there is no explicit mention/inclusion of co-benefit identification and/or planning in its remit.** The PPF acts as one of the earliest avenues for the Secretariat to be involved in the project design phase, but it does not provide any specific requirements and guidelines for incorporating and identifying environmental and social co-benefits during the PPF application and its corresponding activities after approval.
7. Compared to the SAP, for example, the PPF does not achieve its full mandate. The SAP process clearly lays out the importance of environmental and social screening as an initial step during CN development, whereas the PPF does not provide guidance on specific screening and assessment needs.
8. **Secretariat review of FPs:** The Secretariat review involves second-level due diligence of the ESS work by the GCF's Sustainability team, which has two key aspects that we examine below:
 - Verification of the ESS category, if not already confirmed
 - Determining if the FP has complied with the GCF ESS policy and standards to “a satisfactory degree”
9. The Secretariat's report on second-level due diligence highlighted that while the Secretariat's depth of due diligence has increased, the Secretariat needs a far more differentiated, flexible and nimble approach to due diligence, based on the quality and depth of AEs' own due diligence and verification of AEs' self-reporting capacity.¹⁰³ Light due diligence is limited by several considerations for the GCF, including the following:
 - AE capacity and AEs' self-reporting on their capabilities are not fully tested during the accreditation stage. For example, the ability to assess climate rationale and impact are not tested. The Secretariat should independently verify this self-reporting.
 - AEs' policies may not align with GCF policies – for example, those for compliance, gender or ESS considerations.
 - For elements such as the climate rationale, gender and impact, AEs have naturally less or no incentive to deliver quality. Strong Secretariat due diligence is important in maintaining the

¹⁰² Based on consultations with the Secretariat, at Secretariat level, the operationalization of the project cycle made it mandatory to submit a CN in the process of the funding proposal preparation.

¹⁰³ Oliver Wyman, “Second-Level Due Diligence Framework” (2019).

required quality standards, as most of these elements are GCF-specific requirements and not for the AE.

10. As set out in the GCF ESP, **the environmental and social due diligence of the GCF** includes the following components:¹⁰⁴
 - Investigation, review, and assessment related to accreditation as well as to the consideration of FPs
 - Assessing the ESMS of the entities and how these are applied to the activities, effectiveness and independence of the GRMs of the AEs and implementing entities, disclosure of information, and meaningful and timely consultations with all stakeholders
 - Providing guidance to AEs in developing and implementing measures to manage the risks and impacts; the responsibilities of the AEs include ensuring that all the necessary assessments of risks and impacts are conducted, management plans are developed and implemented, information is provided, and necessary stakeholder engagement and communications are conducted
11. **Verification of ESS categories:** An analysis of the portfolio of approved FPs indicates that there are 13 FPs (12 per cent of the total) with an ESS risk category of A or I-1 (see Figure V-2). The majority (66 per cent) are assigned a category B or I-2. This aligns with the fact that the most common level of AE accreditation is for a maximum of category B projects (49 per cent of AEs). Of the 13 FPs in the GCF portfolio that have an environmental and social risk category of A or I-1, all are large or medium-sized projects with an IAE. For those FPs that have been assigned a high ESS risk category (i.e. category A or I-1), the most frequent (46 per cent) are medium-sized public sector projects (see Table V-1). The private sector FPs that received a high-risk ESS category are four large-scale projects: FP047, FP095, FP099 and FP115.
12. The data show that there are 28 AEs accredited with an ESS category A or I-1. These AEs are responsible for the majority of approved FPs. Category A approved AEs are also the only type of entity that has any “large-scale” approved FPs (see Figure V-3 below). Despite there being more AEs that are accredited to ESS category B in total, AEs accredited for ESS category A have, overall, significantly more approved FPs than ESS category B AEs. The data do not indicate the reason for this, but it is reasonable to assume that the AEs accredited for category A are the more experienced and well-resourced IAEs.

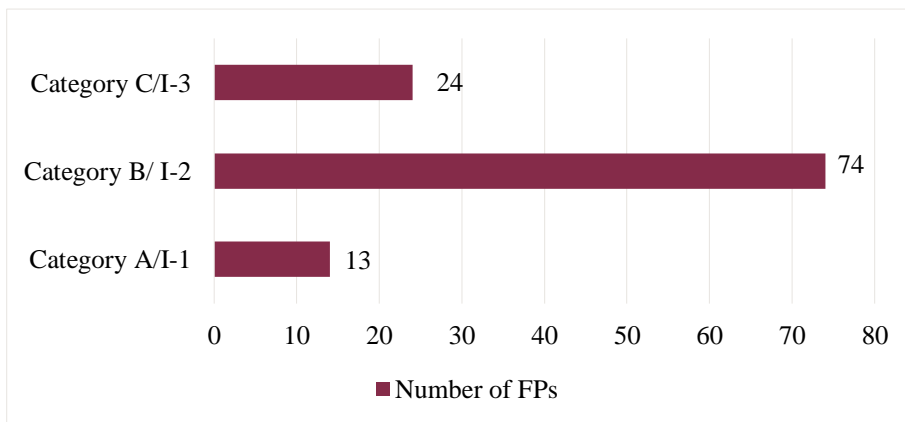


Figure V-2. Number of approved FPs by ESS category

Source: IEU DataLab. Data from the GCF Secretariat’s online system, total of 111 approved active FPs. Data valid as of 8 July 2019.

¹⁰⁴ GCF/B.19/06 and Decision B.19/10 in GCF/B.19/43.

Table V-1. Concentration of FPs classified with as ESS category A or I-1 (iPMS extraction)

SECTOR OF AE	SMALL	MEDIUM	LARGE
Public		FP020	FP083
		FP021	FP085
		FP041	FP086
		FP044	
		FP071	
		FP092	
Private			FP047
			FP095
			FP099
			FP115

Source: IEU DataLab. Data from the GCF Secretariat’s online system, total of 111 approved active FPs. Data valid as of 8 July 2019.

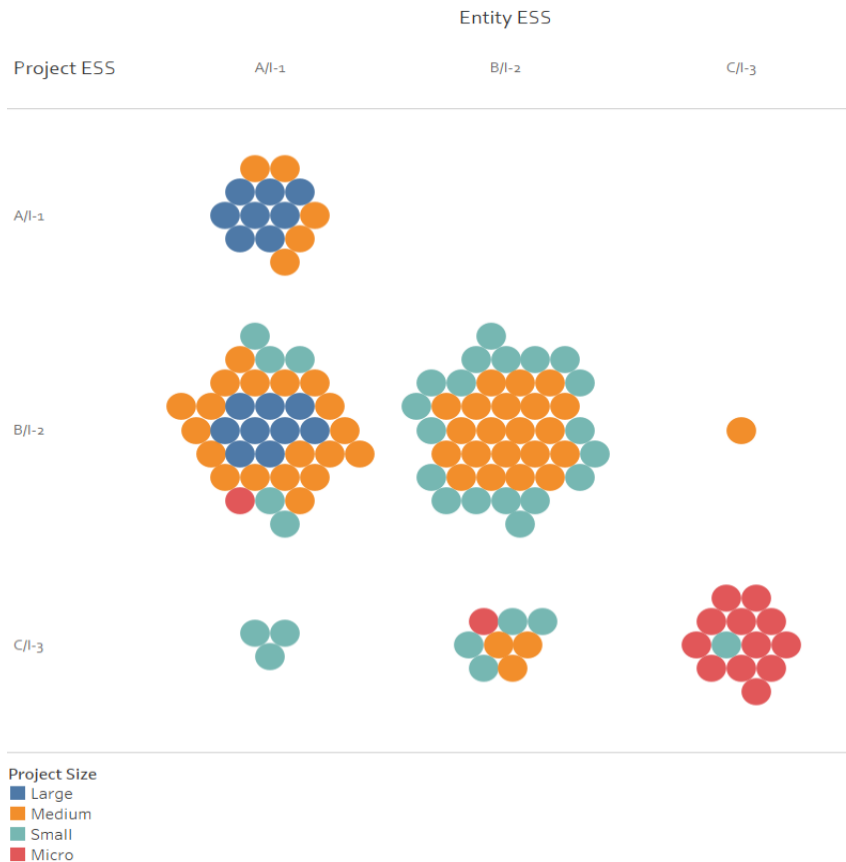


Figure V-3. AEs ESS categories’ influence on approved projects

Note: The figure demonstrates a mapping/schematic of the spread of approved FPs per the ESS category of their respective AEs.

Source: IEU DataLab. Data extracted from 88 accredited AEs and 111 approved FPs. Data valid as of 8 July 2019.

13. **Determination if the FP has complied with the GCF ESS policy and standards to “a satisfactory degree”:** The engagement with the Secretariat typically involves an iterative process, sometimes over a lengthy period, through which the ESS team engages with the AE to agree how specific environmental and social risks should be addressed in order to meet GCF requirements. **The threshold for “satisfaction” does not seem to include a pre-determined assessment of environment and social performance (over and above risk mitigation) nor a focus on identifying and evaluating environmental and social co-benefits.**
14. As of 8 July 2019, the Secretariat had reviewed 111 active FPs. The IEU extracted these data as well as the review data. Of these 111, we found 40 FPs received “negative/ unsatisfactory” comments with regard to ESS considerations in the Secretariat review. It is likely that this low proportion is partly due to the number of ESS category C projects and the communication that takes place between the ESS/Sustainability team and the AE during the review period to resolve many ESS issues before the FP goes for approval. It should be noted that **despite 40 FPs receiving these negative/unsatisfactory ESS comments, almost all projects receive standard ESS covenants or conditions as part of the FAA** (examined in detail under question (b) below). Based on the consultations, this is mainly because the ESS/Sustainability team has a systematic approach to applying standard ESS covenants to cover the AE’s responsibility to implement the ESMP or environmental and social management framework (ESMF) during project implementation, following their guidance note “Sustainability guidance note: screening and categorizing GCF-financed activities”. The Secretariat has reported that the ESS themes that pose the greatest challenge for AEs are labour standards, biodiversity requirements, involuntary resettlement, indigenous peoples and the application of safeguards to on-lending or financial intermediary operations. Table V-2 below provides details of the Secretariat recommendations, as submitted for Board approval, concerning ESS, gender and monitoring issues, on FPs for projects covered by the country case studies. **Notably, none focus on ensuring environmental and social performance and/or co-benefits.**

Table V-2. Secretariat comments on FPs for projects being implemented in countries covered by country case studies

FP NO.	COUNTRY	AE	PROJECT SIZE	ESS CATEGORY	SECRETARIAT REVIEWS AND COMMENTS
FP001	Peru	Profonanpe	Micro	C	<p>No specific ESS recommendation during the Secretariat review. Received 5 comments under the section on “Risks” and 3 on monitoring. Key quotations:</p> <ul style="list-style-type: none"> • “The mitigation actions in place are adequate but this project should be considered as requiring frequent oversight by the GCF.” • “in an indigenous area with low institutional presence, there are important risks that the GCF should monitor. Projects in indigenous areas, indirectly related to land titling, in zones with deforestation related to palm oil and involving communal ownership of businesses, are susceptible to conflict.”

FP NO.	COUNTRY	AE	PROJECT SIZE	ESS CATEGORY	SECRETARIAT REVIEWS AND COMMENTS
FP016	Sri Lanka	UNDP	Medium	B	<p>FP016 received 15 recommendations during Secretariat review: 6 under the section on “Risks”, 1 under “Monitoring”, and 8 under “Legal”. Key quotations:</p> <ul style="list-style-type: none"> • <i>“The accreditation process has not been completed, as the AMA has still not been agreed between GCF and UNDP.”</i> • <i>“It is also recommended that AE ensure that this project has appropriate anti-money laundering and anti-corruption/misappropriation and “know-your-customer” policies and procedures.”</i>
FP037	Samoa	UNDP	Medium	B	<p>Received 11 overall recommendations during Secretariat review: 4 each under the sections of “Monitoring” and “Legal”, respectively, 3 under “Gender”. Key quotations:</p> <ul style="list-style-type: none"> • <i>“It is therefore advised that the project puts in place a social forestry scheme, wherein the Government of Samoa and local communities (including a large number of women as they are widely known to be better preservers of the environment) come together to increase afforestation efforts in the upper and mid Catchment areas.”</i> • <i>“the AMA is not yet effective”.</i>
FP047	Kazakhstan	EBRD	Large	A	<p>Received 10 recommendations in the Secretariat review: 2 under each of “Monitoring” and “Gender”, 1 under each of “Fiduciary” and “Risks”, and 4 under “Legal”. Key quotations:</p> <ul style="list-style-type: none"> • <i>“The AE is requested to provide a stakeholder engagement framework for the project.”</i> • <i>“AE should consider providing concessional mechanisms to subprojects as a results-based incentive so as to promote the implementation of the gender-based activities identified in the gender action plan.”</i>
FP062	Paraguay	FAO	Medium	B	<p>Only received 8 recommendations during Secretariat review: 4 fell under the theme of “Legal”, while 3 centred on “Gender” and 1 on “Monitoring”. Key quotations:</p> <ul style="list-style-type: none"> • <i>“it is advised that the Ministry of Gender/Women Affairs/Minority Affairs or their equivalent are</i>

FP NO.	COUNTRY	AE	PROJECT SIZE	ESS CATEGORY	SECRETARIAT REVIEWS AND COMMENTS
					<i>included in the inter-institutional Executive Committee."</i>
FP063	Paraguay	IDB	Small	I3	<p>This FP received 9 recommendations during the Secretariat review: 5 under the section on "Legal", 2 on "Risks", and one each on "Monitoring" and "Gender". Key quotations:</p> <ul style="list-style-type: none"> • <i>"The Heads of the Independent Redress Mechanism (IRM) and Independent Integrity Unit (IIU) have both expressed that it would not be legally feasible to undertake their redress activities and/or investigations, as appropriate, in countries where the GCF is not provided with relevant privileges and immunities."</i> • <i>"The project commits to supporting efforts to collect gender-disaggregated data to track the real gender impacts of the project, as it has identified the lack of gender-related data as a major programmatic gap."</i>
FP072	Zambia	UNDP	Medium	B	<p>FP072 only received 4 recommendations during the Secretariat review: 2 "Legal" and 2 "Gender". Key quotations:</p> <ul style="list-style-type: none"> • <i>"to include more sex-disaggregated targets for some of the indicators in the gender action plan".</i>
FP080	Zambia	AfDB	Medium	B	<p>Received 13 recommendations: 2 were under "Gender", 6 under "Risks", 4 "Legal", and 1 "Fiduciary". Key quotations:</p> <ul style="list-style-type: none"> • <i>"The AE is recommended to strengthen gender-related monitoring and reporting of the project by including sex-disaggregated targets for these indicators."</i>

Note: IEU Datalab. Data extracted from Secretariat Review feedback as of 8 July 2019.

b. Review of FPs: identification of environmental and social co-benefits

- This section of the analysis addresses whether the project review processes identify environmental and social co-benefits before FPs are submitted to the Board, as per the GCF's ESP objectives and guiding principles (see Box V-1). To analyse this, we examine the self-reporting by AEs in FPs and the assessment of FPs by the Secretariat and iTAP against the GCF investment criteria. The data are drawn from the reviews of investment criteria (for co-benefits) and interviews with the Secretariat and iTAP members.

16. AEs are expected to inform on the investment criterion for sustainable development potential. This includes environmental, social, economic and gender co-benefits. The AEs are supposed to identify specific co-benefits the project is likely to deliver in FPs, following the FP template. The Secretariat and iTAP review provide a rating for the investment criteria as a whole, as shown in Figure V-4 below, assigning a rating of high, medium or low.

Box V-1. GCF objectives and principles regarding environmental and social outcomes and co-benefits

The GCF's ESP states that the GCF aims to achieve environmental and social benefits as well as to avoid or manage environmental and social impacts. The GCF's ESP lists a set of guiding principles for the implementation of the GCF's ESMS and achieving the objectives of the policy itself, and states: *"The ESMS and the policy provide an opportunity for GCF to incorporate environmental and social considerations in ways that not only include safeguard measures of 'do no harm', but also improve environmental and social outcomes and generate co-benefits to the environment and the communities, including indigenous peoples, that depend on it."*¹⁰⁵ (Words underlined for emphasis).



Figure V-4. GCF investment criteria

Source: Operations Manual for the Project and Programme Lifecycle (June 2018).

17. Figure V-5 shows that the vast majority (85.5 per cent of approved FPs as of 8 July 2019) of the GCF portfolio has been self-reported by AEs as delivering both social and environmental co-benefits. Only one FP has been approved without being self-reported as delivering social or environmental co-benefits.
18. However, consultations with AE representatives and seven country missions highlighted general unawareness and, to some extent, uncertainty around the environmental and social co-benefits for those that had thought about the investment criterion for sustainable development potential during the project design. While some AEs declared their willingness and interest in improving the

¹⁰⁵ GCF/B.19/06 and Decision B.19/10 in GCF/B.19/43.

identification of environmental and social co-benefits, **AEs reported that there was no clarity or consistent guidance on the identification process of co-benefits** from the Secretariat.

19. Furthermore, the evaluation team identified that **there were inconsistencies in the understanding of the investment criterion for sustainable development potential among iTAP members and other stakeholders, including the extent to which it is used to identify positive co-benefits.** Different teams, and even individual members of teams, expressed that they have and use their own methods to review the content related to the investment criterion for sustainable development potential.
20. Thus, **this process may not necessarily be effective in robustly identifying relevant co-benefits across a range of different types of projects in different contexts. Presently, there is no robust guidance that could inform this process internally or externally,** and this should be developed at the earliest opportunity. Consultations with NDAs, AEs and EEs have shown that there is interest in identifying co-benefits of GCF projects, but so far, little to no guidance has been given.

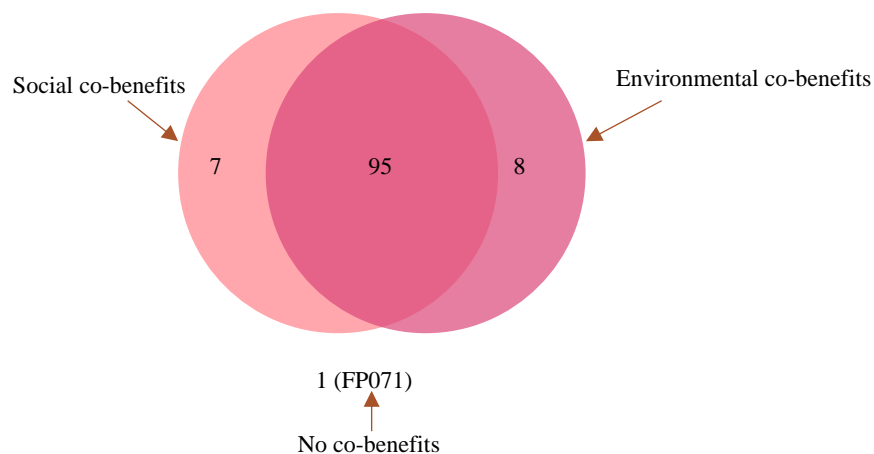


Figure V-5. Environmental and social co-benefits identified in FPs

Source: IEU DataLab. Data extracted from the investment criterion for sustainable development potential. Data extracted from the 111 FPs active as of 8 July 2019.

21. Both the Secretariat and iTAP review the investment criteria section of the FP and provide a rating for each overall criterion. In Figure V-6, the divergences between the Secretariat's and iTAP's ratings of the sustainable development potential criterion can be seen. It is also clear that 35 projects are not rated for, are uncertain of, or have no information on their sustainable development potential criterion, indicating that this investment criterion is not considered a critical selection criterion for projects. Discussions with Secretariat senior staff also indicate that during Climate Investment Committee meetings (and previously Senior Management Team meetings), sustainable development potential was not considered an important criterion on which to select/reject FPs that went to the Board. This is, of course, likely to happen if all proponents consider this an important criterion **before** submitting a proposal.

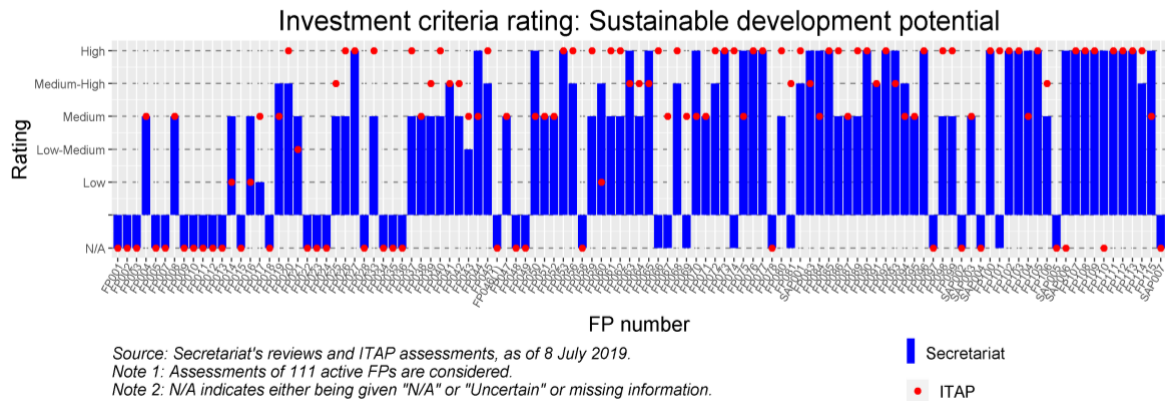


Figure V-6. Investment criterion: sustainable development potential – Secretariat and iTAP rating

Source: IEU DataLab. Data extracted from the investment criterion for sustainable development potential, as rated by both iTAP and the Secretariat. Data extracted from the 111 FPs active as of 8 July 2019.

22. Figure V-7 and Figure V-8 illustrate the number of environmental and social co-benefits of approved FPs. According to the portfolio analysis of all co-benefits mentioned in the submitted FPs, the most common environmental co-benefit reported is the “improvement of biodiversity and ecosystem services” (54 FPs, or 48.6 per cent of the overall portfolio as of 8 July 2019), with both noise reduction and reducing coastal erosion being the least mentioned criteria. The improvement of health, nutrition and safety is the most common focus of the social co-benefits of GCF investments (76 FPs, or 68.4 per cent of the overall portfolio as of 8 July 2019).

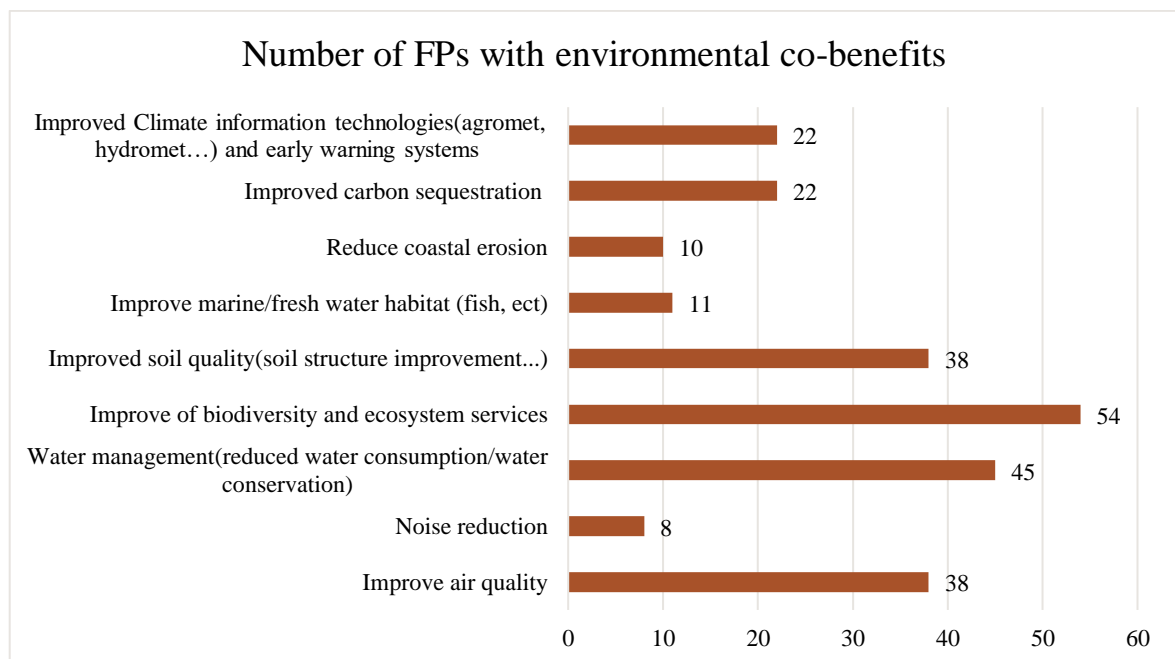


Figure V-7. Environmental co-benefits (number of approved FPs)

Source: IEU DataLab. Data extracted from the investment criteria of the 111 FPs active as of 8 July 2019.

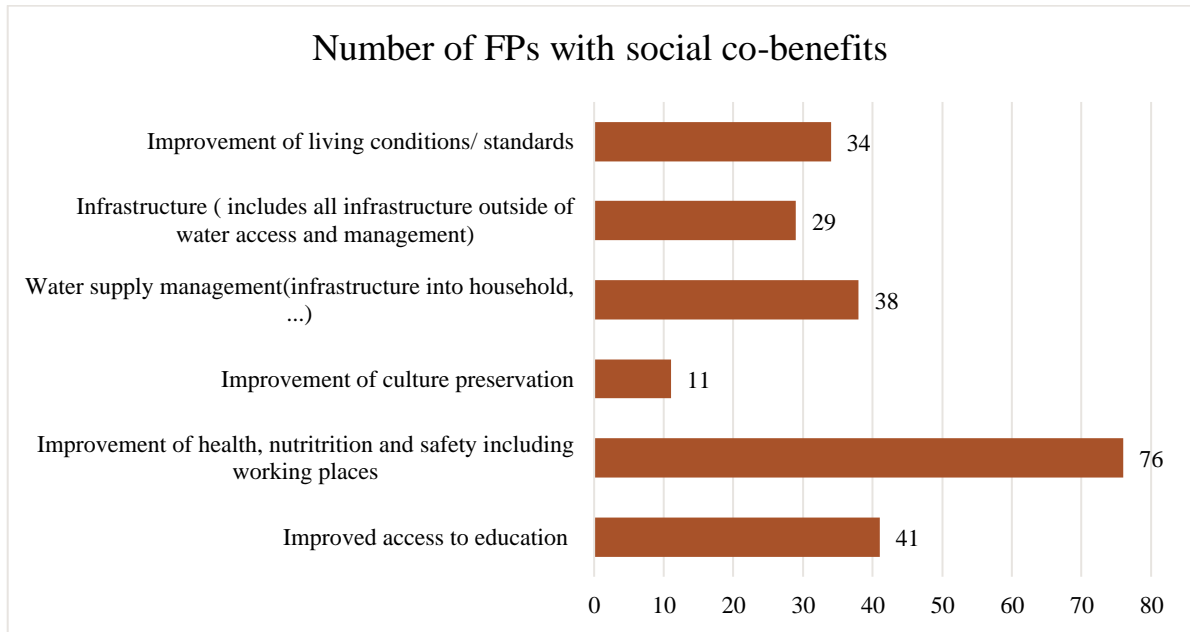


Figure V-8. Social co-benefits (number of approved FPs)

Source: IEU DataLab. Data extracted from the investment criteria of the 111 FPs active as of 8 July 2019.

2. HOW EFFECTIVELY AND EFFICIENTLY HAS THE ESMS BEEN APPLIED IN THE APPROVAL PROCESS AND FAAs?

23. To answer this question, we examine how CSO comments are considered in the approval of FPs, and how the FAA conditions relating to ESS issues are set out, using data from the portfolio analysis – specifically data relating to the FAA conditions of FPs, CSO comments and interventions on FPs, and complemented by consultations with the Secretariat.

a. CSO comments on ESS issues in FPs

24. During Board consideration of FPs, CSO active observers (on behalf of the wider CSO community) provide comments to the Board at the time of the Board meeting on specific issues about the individual projects. A total of 223 “interventions” by CSO active observers were extracted by the IEU. The key variables that were identified in the comment data set include gender, ESS, indigenous peoples, and information disclosure and transparency. Table V-3 presents the frequency of CSO active observer interventions/comments throughout the portfolio of approved FPs. An exhaustive analysis of these comments shows that, as might be expected, CSO active observers have made more interventions on ESS category A/I-1 and category B/I-2 FPs than on category C/I-3. Most of the interventions raise the issues of lack of adequate ESS and gender documentation, impact on vulnerable indigenous peoples, lack of adequate consultations with local communities and local CSOs, and an absence of a GRM.

Table V-3. CSO intervention descriptive statistics by ESS category

ESS CATEGORY	FPS RECEIVED INTERVENTIONS	TOTAL NUMBER OF INTERVENTIONS	AVERAGE NUMBER OF INTERVENTIONS BY ESS CATEGORY
Category A/I-1	13	39	3
Category B/I-2	62	145	2.3
Category C/I-3	18	39	2.2

Source: IEU DataLab. CSO comments on FPS gathered from GCF Watch. Data valid as of 8 July 2019.

25. Only one project (a category C) received five interventions, with a strong comment, “*We urge **no decision on this proposal** at this meeting until more information and clarity is available regarding consultation issues with indigenous communities, which could have potentially huge reputational impacts for the Fund.*” As can be seen in Figure V-9, regarding CSO active observer comments relating to ESS issues, environmental and social impacts are the primary concerns that are raised. A lack of adequate ESS documentation is the second-most frequently raised issue. Redress mechanisms get mentioned only twice.

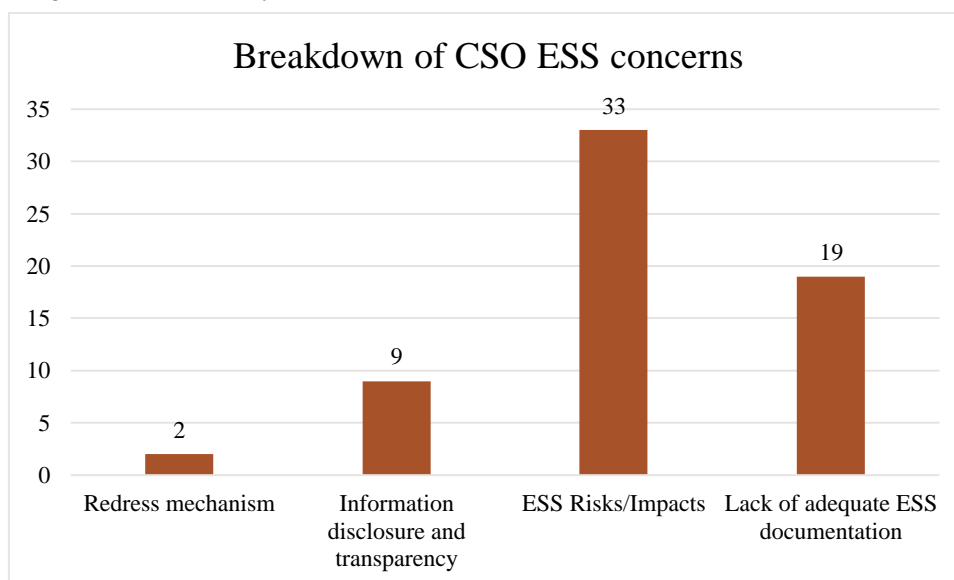


Figure V-9. Breakdown of CSO active observer comments on ESS issues in FPS

Note: This excludes any CSO active observer concerns that were raised regarding gender or stakeholder engagement. Source: DataLab. Data valid as of 8 July 2019.

26. **Interviews with several CSOs engaged with the GCF revealed areas of concern.** Some were focused on whether the GCF is sufficiently vigorous in addressing some ESS issues such as stakeholder engagement, labour standards, gender issues and biodiversity. Others focused on addressing aspects of ESS issues within the GCF business model, such as during accreditation, iTAP review, information disclosure, project-level CSOs consultation, accountability of AEs and EEs, and monitoring and reporting systems.
27. **Overall, CSOs felt that active observer interventions are unlikely to be acted on. This is due in part to their intervention being inserted at a late stage in the project cycle.** There are, however, no formal procedures or clear guidelines for comments to be incorporated in FP preparation or implementation. Indeed, **there is little evidence to show that the Board can or does take them into consideration, or if the AEs are likely to have the opportunity to consider them.** During

one country mission, the AE representative responsible for a category A project said that “CSO interventions are noise”, and confirmed that they rolled out the project, ignoring the CSO interventions.

b. Approval and determination of ESS conditions and covenants in FAAs

28. Once an FP has been approved by the Board, it is the task manager’s responsibility to support and manage the process up to the point of FAA effectiveness. The effectiveness of the FAA marks the start of the implementation phase of the GCF-funded activities and project. For the public sector projects, the Secretariat DMA’s post-approval team takes responsibility for developing and obtaining agreement on the FAA. This involves tracking conditions and recommendations, including ESS issues, until the FAA effectiveness. The FAA conditions are based on the term sheet prepared and presented to the Board. Conditions are assigned different fulfilment times; some need to be fulfilled prior to disbursement, and others are designated as covenants, which need to be complied with and reported on by the AE during the life cycle of the project. The Secretariat’s post-approval team is responsible for ensuring the fulfilment of conditions that need to be completed prior to the first disbursement, but not for those that require fulfilment during implementation. However, **very few ESS FAA conditions are required before disbursement, as is evident from the figures below. Instead, the majority of ESS conditions that are attached to FAAs fall under the covenant type (see Figure IV-10).**

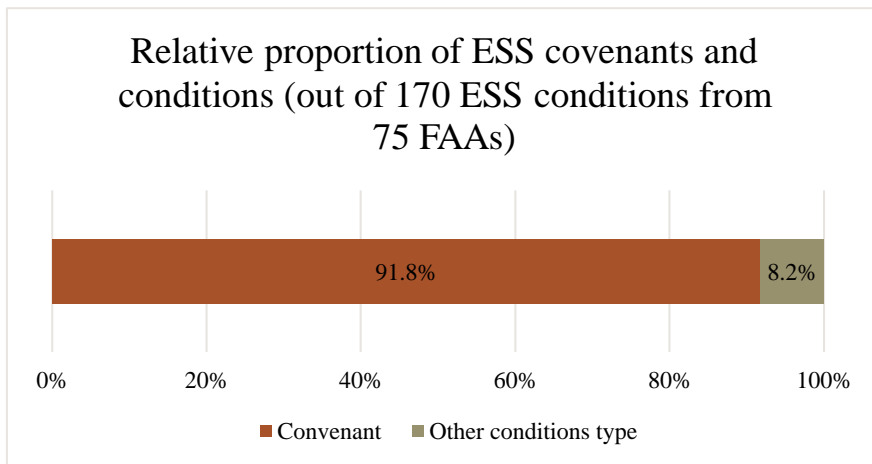


Figure V-10. Proportion of ESS covenants and conditions set out in FAAs

Note: The data above include all conditions and covenants, irrespective of whether they are project-specific or generic.

Source: IEU DataLab. Data extracted from the 75 FAAs executed as of 8 July 2019.

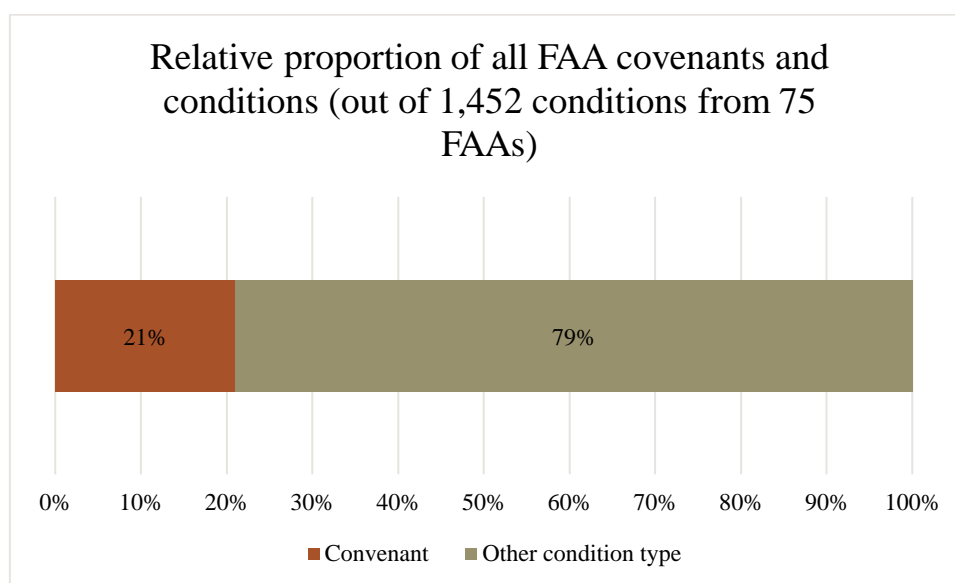


Figure V-11. Proportion of FAA covenants and conditions in approved FPs

Note: The data above include all conditions and covenants, irrespective of whether they are project-specific or generic.

Source: IEU DataLab. Data extracted from the 75 FAAs executed as of 8 July 2019.

29. There have been limitations to the extent it is feasible to capture data about the transition of ESS conditions from FP approval to development of the FAA, owing to the fact that these are negotiated between the respective AEs and the GCF’s legal team, the OGC. Table V-4 shows the FAA covenants and conditions relevant to the ESS issues for the projects visited during the country missions. The evidence suggests that **it is the practice to use standard covenant clauses covering implementation of ESMPs during project implementation, with limited specific requirements about the timing of fulfilment or accountability for reporting.**

Table V-4. ESS conditions included in FAAs for countries covered in the country missions

FAA NUMBER	ACCREDITED ENTITY	DATE OF EXECUTION	DATE OF EFFECTIVENESS	CONDITION TYPE	ESS CONDITIONS IN FAAs
FAA001	Profonanpe	2016-12-15	2017-03-10	Precedent to first disbursement	Ensure adequate stakeholder engagement
FAA001	Profonanpe	2016-12-15	2017-03-10	Precedent to other disbursements	Timely delivery of APRs and financial reports
FAA001	Profonanpe	2016-12-15	2017-03-10	Covenant of AE	Provide an ESMP
FAA016	UNDP	2017-06-07	2017-06-28	Precedent to other disbursements	Timely delivery of APRs and financial reports
FAA016	UNDP	2017-06-07	2017-06-28	Covenant of AE	Continuously screen and monitor environmental and social risks and impacts
FAA047	EBRD	2018-03-30	2018-05-08	Covenant of AE	Anti-money-laundering and countering the

FAA NUMBER	ACCREDITED ENTITY	DATE OF EXECUTION	DATE OF EFFECTIVENESS	CONDITION TYPE	ESS CONDITIONS IN FAAs
					financing of terrorism (AML/CFT)
FAA047	EBRD	2018-03-30	2018-05-08	Covenant of AE	Provide an ESMP
FAA047	EBRD	2018-03-30	2018-05-08	Covenant of AE	Place adequate measures to ensure that ESS risks and impacts arising comply with environmental and social action plan (ESAP)
FAA063	IDB	2018-12-24	2019-01-16	Precedent to other disbursements	Timely delivery of APRs and financial reports
FAA063	IDB	2018-12-24	2019-01-16	Representations and Warranties of AE	AML/CFT
FAA063	IDB	2018-12-24	2019-01-16	Covenant of AE	Place adequate measures to ensure that ESS risks and impacts arising comply with ESAP
FAA063	IDB	2018-12-24	2019-01-16	Covenant of AE	Continuously screen and monitor environmental and social risks and impacts

Source: IEU DataLab. Data extracted from the 75 FAAs executed as of 8 July 2019. Only ESS conditions of projects of the countries selected for country missions are shown here.

C. FINDINGS

30. The GCF business model and ESP require that once accredited, AEs are responsible for working with their EEs to ensure that adequate ESS risk assessment is undertaken and appropriate ESS management measures are agreed before the FP is submitted to the GCF. It is the GCF's task to undertake its own due diligence on the ESS work submitted as part of the FP after the AEs' own due diligence processes, to ensure they have been undertaken in compliance with the GCF's ESP and ESMS requirements. The analysis described above provides the basis for the following findings.
31. **The distribution of ESS risk categories agreed by AEs and the Secretariat is broadly what one would expect given the scale of the GCF portfolio.** Among all the approved FPs, the distribution of ESS risk categories is 24 in category C, 74 in category B, and 13 in category A. This distribution appears to be in line with expectations. For example, about half of AEs are only accredited to undertake projects with a category B rating, so the likelihood of category A projects being proposed is restricted. Of the 13 FPs in the GCF portfolio that have an ESS category of A or I-1, all are large or medium-sized projects with an IAE, reflecting the type of AEs accredited for category A projects. However, several reviews and consultations have underlined the importance of the Fund thinking more proactively about innovation and risk in climate change projects, and alternative options of project origination need to be further explored, in particular with reference to SAP and PPF.
32. **The evidence suggests that the GCF Secretariat ESS/Sustainability team, despite its comparatively small staffing numbers, conducts systematic due diligence of the ESS risk**

component of FPs as part of the Secretariat review. However, due diligence does not seem to include an assessment of the environment and social performance (over and above risk mitigation) nor a focus on identifying and evaluating co-benefits. The repositioning of the ESS/Sustainability team under ORMC underlines the strong focus on compliance and risk management, rather than environmental and social performance. In many cases, the ESS/Sustainability team does identify issues that need to be analysed further, better reported or remedied. Many of these issues are addressed and resolved through iterative interaction by the ESS/Sustainability team with the AE. However, the evidence from the portfolio analysis shows that 36 per cent of approved FPs were in need of ESS covenants and conditions, in response to a wide range of issues arising from the ESS element of the Secretariat review. Notably, these conditions do not specifically focus on ensuring environmental and social performance and/or co-benefits.

33. **AEs are identifying environmental and social co-benefits in almost all FPs. However, the process for identifying co-benefits may not necessarily be effective across a range of different types of projects in different contexts. Presently, there is no robust guidance that could inform this process internally or externally.** The evaluation team identified inconsistencies in the understanding of the investment criterion for sustainable development potential among iTAP members and other stakeholders, including the extent to which it is used to identify and rate positive co-benefits/outcomes. It is also clear that applying these criteria immediately prior to submitting the FP to the Board has a limited scope to bring about a more active focus on environmental and social co-benefits during project design and preparation. In addition to this, country missions identified a lack of awareness and clarity among the AEs and EEs with respect to the robust and structured identification of co-benefits at the design stage.
34. **The analysis of CSO active observer comments at the time of submission of FPs to the Board demonstrates that a variety of ESS issues are raised, but they are not routinely followed up by the Secretariat or AE.** There is no procedure in place for the CSO active observer comments prior to and at the time of the Board consideration of FPs to be actively transmitted for response or action by the Secretariat or by AEs. It is also clear that the apparent low impact on the Board decisions of CSO active observer comments may have caused some AEs to disregard CSO comments.
35. **The analysis has revealed that the majority of ESS conditions that are attached to FAAs fall under the covenant type, which does not specify a time frame for their fulfilment, compared to conditions surrounding other issues.** This means that the majority of covenants or conditions are included in the FAA without specifying the time when they need to be implemented or when the AE needs to report that they have been complied with. According to the Secretariat ESS team, this is because certain standard ESS covenants require continuous implementation by the AE and EE during the project life cycle, in contrast to project-specific conditions. However, this raises the possibility that these covenants are more difficult to track via the APR and that the GCF may be unable to ensure that they have been adequately implemented and monitored over the lifetime of the project.

D. CONCLUSIONS AND RECOMMENDATIONS

36. **The GCF must strengthen and implement processes for identifying environmental and social performance and co-benefits and ensure they are robustly assessed during the due diligence process by the Secretariat.** In developing the ESMS, the GCF should (a) adopt guidance for AEs and for the Secretariat on how co-benefits may be identified for the proposed project/programme, along with identifying how the project/programme will avoid or mitigate negative impacts; (b) adopt guidance as to how the estimated co-benefits can be quantified, whenever possible, including

through the use of impact indicators; and (c) adopt guidance as to how to integrate co-benefit monitoring with ESS monitoring.

37. It is also **recommended that the GCF investment criterion for sustainable development potential is better defined and includes equity**. Guidance should be developed to inform its clear and robust identification by AEs in preparing FPs, and for the Secretariat and iTAP reviews and evaluation.
38. **The GCF should establish procedures for addressing CSO active observer comments on FPs related to ESS before and at the time of Board submission**. There should be sound policies and procedures for engaging CSOs at the Board level and also at the project level, and all relevant FPs' documentation should be made public. Policies and guidance should be aligned with the stakeholder engagement policy the GCF plans to adopt.
39. **The PPF should be utilized to strengthen processes to identify environmental and social performance and co-benefits**. Strengthen and focus the PPF to help build capacities on environmental and social performance and co-benefits. Create specific grants and dedicated technical assistance with the aim of facilitating access, enhancing effectiveness and achieving impact at scale.
40. **The GCF should ensure the tools and systems set out in the MAF are able to capture all information that enables follow-up on FAA conditions**. Specifically, the GCF should operationalize the portfolio management system (See Chapter V).

Chapter VI. THE ESMS IN THE GCF'S PROJECT IMPLEMENTATION AND LIKELY RESULTS

KEY RECOMMENDATIONS

- **The Secretariat should consider setting up an early warning system as part of its MAF** to assist its assessment of project-related risks (“project risk flags”) and risks related to the overall performance of the AEs (“AE risk flags”). The MAF should also include checks on the performance of environmental and social variables and co-benefits.
- **The Secretariat needs to ensure it can carry out ad hoc checks of projects**, by taking into account the risk flags of the early warning system and portfolio sampling, as laid out in the MAF.
- Any portfolio management system set up to operationalize the MAF should include information ranging from the accreditation of an AE through to recent project reports and interim/final evaluations, as well as follow-up FAA conditions.
- The Secretariat should **develop and adopt guidance with regard to the reporting of ESS and co-benefits**, part of which has also been requested by the operationalization of the MAF.
- **Clear roles and responsibilities for ensuring, monitoring and reporting** on environmental and social performance and co-benefits must be urgently established within the Secretariat.
- When the results management framework (RMF) is updated, it needs to **incorporate reporting on environmental and social impact and outcome-level indicators**.
- The Secretariat needs to improve the APR template so that it can reliably report on environmental and social impacts and outcomes and co-benefits, as well as include a verification system.
- The Secretariat **should also urgently build a system to digitize APRs** so that content can be reviewed and tracked easily. (This will become important as the size of the implemented portfolio increases and quality of implementation becomes a key (and reputational) issue for the GCF.)
- The GCF should require AEs to strengthen awareness-raising on project-level GRMs throughout the life cycle of the project.

KEY FINDINGS

- Currently, systems and tools are not in place for the MAF. This has implications for monitoring ESS compliance. Furthermore, the GCF relies solely on AEs' self-reporting through APRs.
- Thus, the GCF has very limited oversight over AEs' compliance with FAA ESS covenant-type conditions. Non-compliance and non-credible reporting represent a potential reputational risk for the GCF. To date, the GCF has been unable to take remedial measures when there are any ESS compliance or non-performance concerns.
- To date, the APRs have only required reporting on ESS inputs and outputs, not on impacts/outcomes related to performance and co-benefits. The latest APR template requires progress reporting on the investment criteria, but this is not integrated with the reporting on the RMF.
- There is limited awareness of the monitoring and accountability responsibilities within the Secretariat.
- There is limited awareness of available GRMs at all levels (AE, project and the GCF's IRM).
- The GCF is not able to assess the ESS performance of funded activities. The current emphasis in the APRs is reporting on inputs and outputs on ESS, which does not provide the GCF with insights regarding ESS and co-benefits.

A. INTRODUCTION

1. This chapter analyses how the ESMS is applied to project implementation, with a particular focus on how the GCF's monitoring and evaluation system is applied to ESS and co-benefits, as outlined in the ESS-related policies and frameworks. Additionally, this chapter examines the likelihood of impacts from the current GCF portfolio with regard to co-benefits and/or positive outcomes of the proposed funded activities, beyond ensuring that no risk and no harm are inflicted by the project.
2. The following key questions are discussed and analysed in this chapter:
 - How efficient and effective has the GCF been in ensuring adequate monitoring and reporting by the AEs of environmental/social management measures during the implementation of GCF-funded projects?
 - To what extent have the GCF grievance redress requirements and mechanisms helped to address emerging concerns/complaints and to mitigate risks?
 - To what extent are results and impacts from GCF-funded projects likely with regard to environmental and social performance?
3. The methods employed for this chapter include, among others, (a) a desk review of relevant GCF documents and decisions – in particular, the MAF and the GCF Operations Manual; (b) consultations with the Secretariat; (c) portfolio analysis of APRs and FAAs; and (d) consultations with stakeholders, AEs, implementing entities and EEs, including the country missions.

B. DATA AND ANALYSES

4. This section elaborates on the three evaluation questions presented above.

1. HOW EFFICIENT AND EFFECTIVE HAS THE GCF BEEN IN ENSURING ADEQUATE MONITORING AND REPORTING BY THE AEs OF ENVIRONMENTAL/SOCIAL MANAGEMENT MEASURES DURING THE IMPLEMENTATION OF GCF-FUNDED PROJECTS?

5. To understand to what extent the GCF has been efficient and effective in ensuring reporting by AEs on environmental and social risks, performance and co-benefits, we examine and assess (a) the MAF and the extent to which the relevant tools and systems are in place and functioning, and (b) the quality of AEs' self-reporting, with regard to environmental and social reporting.

a. Monitoring and evaluation with regard to ESS

6. **The MAF provides guidance on responsibilities, tools and processes related to monitoring and reporting results from GCF investments.** At its eleventh meeting, the Board stated that the MAF is

“designed to ensure the compliance of accredited entities (AEs) with their accreditation standards over time and effective implementation of each of the GCF-funded projects and programmes of the AE.”¹⁰⁶

“Monitoring and accountability involve a series of actors with specific roles and responsibilities. These include AEs; the Secretariat and the GCF accountability units; national designated

¹⁰⁶ GCF/B.11/24/, Decision B.11/10, Annex I, paragraph 1.

authorities (NDAs) or focal points; the direct beneficiaries of projects and programmes; project-affected people and communities; and other local actors such as local governments, civil society organizations, non-governmental organization and the private sector.”¹⁰⁷

7. In terms of responsibilities, the MAF asserts the following:¹⁰⁸
 - The AE is responsible for implementing the project in compliance with the FAA, including compliance with GCF fiduciary standards, ESS and gender policy.
 - The NDA or focal point should play an important role in accordance with the “initial best practice guidelines for the selection and establishment of national designated authorities and focal points”.¹⁰⁹
 - The Secretariat will be responsible for implementing the MAF.
 - The accountability units of the GCF will play a role according to the mandate in their terms of reference.
8. **The MAF is silent on the role and responsibilities of the EEs.** Experience from the GEF has highlighted that there are risks that can affect operations, such as a potential conflict of interest when the AE also adopts an EE role, and when the NDA is also the EE. Yet the GCF has not produced any guidance on distinguishing roles, responsibilities and firewalls between the AEs and EEs, or when the NDA is also the EE. As of 8 July 2019, there were 21 projects (18 per cent) whose EE was the same as their AE.
9. **Most of the MAF’s tools and systems relevant to ESS are not in place.** The MAF has two main components relevant to ESS: (a) monitoring AE compliance with the accreditation standards of the GCF; and (b) monitoring and evaluation of individual funded activities (projects). To carry out the monitoring of both, the MAF outlines certain systems and tools that must be put in place by the Secretariat. However, many of these tools and systems are yet to be put in place. Table VI-1 illustrates these systems and tools and their status.
10. **Despite the high probability of risk surrounding ESS compliance, the early warning system based on risk flags and the portfolio management system have yet to be developed by the GCF. The GCF is relying solely on AEs’ self-reporting through APRs.**

Table VI-1. MAF’s main systems and tools for ESS and their status of development

MAF’S MAIN SYSTEMS AND TOOLS FOR ESS	STATUS AND COMMENTS
<p>“During the five-year accreditation term, the GCF will monitor the compliance of the AE with the standards of the GCF and its obligations, including:</p> <p>a) On an annual basis, AEs should provide a self-assessment of their compliance with the GCF fiduciary standards, environmental and social safeguards (ESS), and gender policy.</p> <p>b) At the midpoint of the accreditation period, the Secretariat will undertake a light-touch mid-term review of the compliance performance of the AE. The Secretariat will develop standard terms of reference for the mid-term reviews; and</p> <p>c) If needed, the GCF will initiate and be responsible for additional ad hoc compliance reviews.”</p> <p>“Once a year, the Secretariat will report to the Board on the consolidated results of the self-assessments, mid-term, and ad hoc reviews.”</p> <p><i>(section II 1.1 “Accredited entity compliance” of MAF)</i></p>	<p>(b) is pending (c) no evidence of this having taken place.</p> <p><i>Comments: It is important that the Secretariat not just depend on self-assessments.</i></p>

¹⁰⁷ GCF/B.11/24/, Decision B.11/10, Annex I, paragraph 2.

¹⁰⁸ GCF/B.11/24/, Decision B.11/10, Annex I, paragraph 3.

¹⁰⁹ GCF/B.08/10, paragraph (c).

MAF'S MAIN SYSTEMS AND TOOLS FOR ESS	STATUS AND COMMENTS
<p>Request submission of APRs, including financial management reports and “a narrative report (with supporting data as needed) on progress [...] against investment criteria, including updates on indicators and a report on ESS as well as gender”. Among other things, the financial management reports will include dates and amounts disbursed for each funded activity and compliance with financial covenants. (<i>section II 1.2 “Funded activity monitoring” of MAF</i>)</p>	<p>55 APRs have been received from the 37 projects that are under implementation. <i>Comments: These rely on self-assessment with no steps being considered for “verification” by the Secretariat.</i></p>
<p>Development of an early warning system based on risk flags related to the project itself (“project risk flags”) and risks related to the overall performance of the AE (“AE risk flags”) and risks related to deterioration in the economic and/or political environment (“country risk flags”) (<i>section III “Risk-based monitoring approach” of MAF</i>)</p>	<p>Pending</p>
<p>Conduct a small number of ad hoc checks each year on a random basis (<i>section III “Risk-based monitoring approach” of MAF</i>)</p>	<p>Pending</p>
<p>Conduct an annual review on a given number of projects and programmes. The selection will be risk-based, including the following criteria: “a) outstanding accreditation conditions, b) risks flags assigned by monitoring and accountability process, c) classified as high environmental and social risk (category A/ I-1), and projects under special oversight.” (<i>section III “Risk-based monitoring approach” of MAF</i>)</p>	<p>Pending</p>
<p>Develop “a portfolio management system to allow the Secretariat to capture all documents cycle from accreditation of an AE right through to the most recent project reports and interim/final evaluations, including a real-time database of risk flags, searchable by AE and by project/programme” (<i>section VI “Tools” of MAF</i>)</p>	<p>Pending</p>
<p>“An interactive portal, in compliance with the GCF’s current information disclosure policy, designed to facilitate: Communications between NDAs, AEs, project-affected people and communities in a structured manner in relevant languages; and organization of NDA annual participatory reviews and the dissemination of their findings” (<i>section VI “Tools” of MAF</i>)</p>	<p>Pending</p>
<p>“A knowledge management platform designed to organize, validate and publish all documents that are disclosable under the GCF’s current information disclosure policy to all stakeholders and the public at large” (<i>section VI of MAF</i>)</p>	<p>Pending</p>

Source: Monitoring and accountability framework for accredited entities, GCF/B.11/24/, Decision B.11/10, Annex I.

b. Quality of APRs with regard to ESS and gender

- By 8 July 2019, 111 FPs had been approved. Of these, 56 projects were under implementation at the time, of which 37 had submitted 55 APRs to the GCF. Figure VI-1 below illustrates the current breakdown of projects under implementation, corresponding to their respective ESS category. Of these 37 projects that are under implementation and have provided APRs, the majority (70.2 per cent) are classified as ESS category B. This reflects a similar ESS category breakdown to that of the overall GCF FP portfolio.

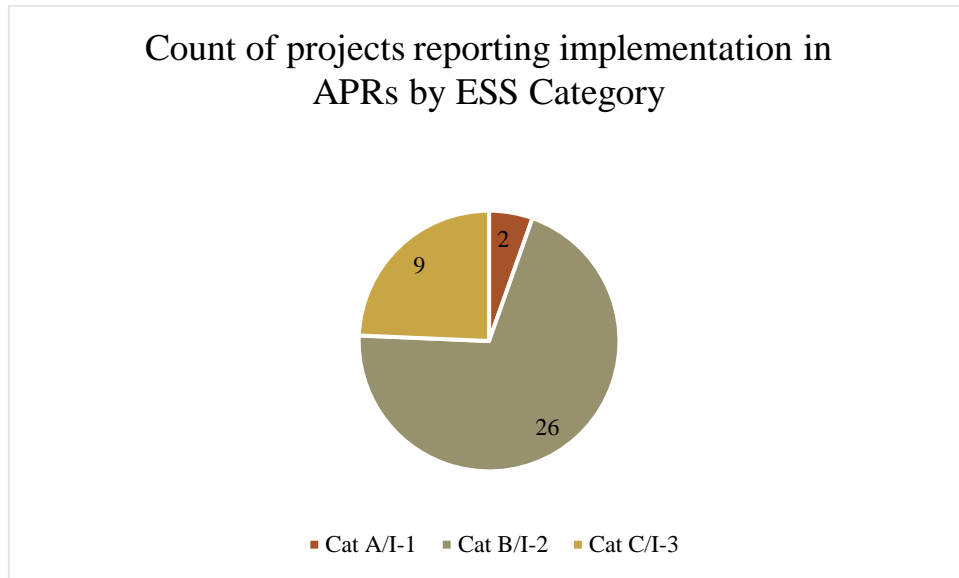


Figure VI-1. Breakdown of projects under implementation by ESS category

Source: IEU DataLab. Data extracted from 55 submitted APRs. Data valid as of 8 July 2019.

12. **The quality of the GCF's APRs:** Project implementation challenges and lessons learned are reported annually under section 2.5 of the APR. They describe challenges and issues arisen in the last 12 months of implementation (see Figure VI-3). This is a self-assessment in which AEs identify relevant challenges from a menu of 10 types of challenges.¹¹⁰ **Since this is a voluntary system, the AEs choose how many and which challenges to report.** Based on the consultations, this report is reviewed by a Secretariat staff member, who is expected to follow up with a phone conversation to verify the report. The staff member also compiles the information, and the Secretariat presents the compiled report to the Board. While APRs are handled by the OPM, technical staff members of the Secretariat – for instance, the ESS team – are involved in following up on reported items and challenges. **There is little supporting evidence that Secretariat staff members systematically follow up on any potential risk flags (that may have been identified during approval) if they were not also subsequently flagged by the AEs in their self-reports/APRs. Figure VI-2 is a section of an APR that illustrates the minimal quality of these self-reports in the APRs.**

¹¹⁰ The 10 categories of implementation challenges are implementation, legal, financial, environmental/social, political, procurement, other, anti-money-laundering and countering the financing of terrorism, sanctions, and prohibited practices.

(2) The information should include status of compliance with applicable laws and regulations of the country as well as the relevant conditions or covenants under the FAA. This can be captured in the table below:

Status of compliance with applicable laws and regulations and the conditions and covenants under FAA

Applicable laws and regulations/conditions and covenants	Status of compliance
Condition to 1 st disbursement: Delivery to the Fund of a multi-stakeholder engagement plan to be implemented throughout the Project lifetime; and	Delivered
environmental and social safeguard policies and procedure which have been assessed for the accreditation, and shall comply and ensure compliance with the ESMP and the LACP at all times during the implementation of the Project	
Covenant 4: Ensure that the Executing Entity shall, at all times, implement the necessary measures (i.e. limiting the conversion of land for agricultural use in the agricultural plain, promoting new technologies to conserve water, etc.) and tools to monitor the water table level of the Boudnib plain and the Guir valley aquifers, in order to prevent the overuse and depletion of water in their water table, in accordance with the relevant legal and regulatory framework of Morocco;	Executing Entity is doing its best efforts to implement the project accordingly, but it cannot control the dynamic of land attribution to investors inside and outside the project area.
Covenant 5: Ensure that the adequate measures are agreed with the Government of Morocco, before the launching of the PPP process, to minimize the conversion of non irrigated land into irrigated land by PPP subscribers in the Project area covered by the PPP activities, in a form and substance satisfactory to the Accredited Entity;	Same comment as above
Covenant 6: Ensure that the Executing Entity will, at all times, implement the tools to monitor the transfer of water and will ensure that those transfers do not affect negatively downstream river population	Not yet applicable since no activity has started during this reporting period

(3) Provide a report on the progress made in implementing environmental and social management plan (ESMP) describing achievements, and specifying details outlined in the tables below.

Implementation of management plans and programmes

(i) activities implemented during the reporting period, including monitoring	(ii) outputs during the reporting period	(iii) key environmental, social and gender issues, risks and impacts addressed during implementation	(iv) any pending key environmental, social and gender issues needing accredited entity's actions and GCF attention
None	N.A	N.A	None

Figure VI-2. Illustration of self-reporting on compliance with conditions and covenant under the FAA in an APR (Section 2.5)

Note: The figure shows section 2.5 of an APR to illustrate the quality of compliance reporting.

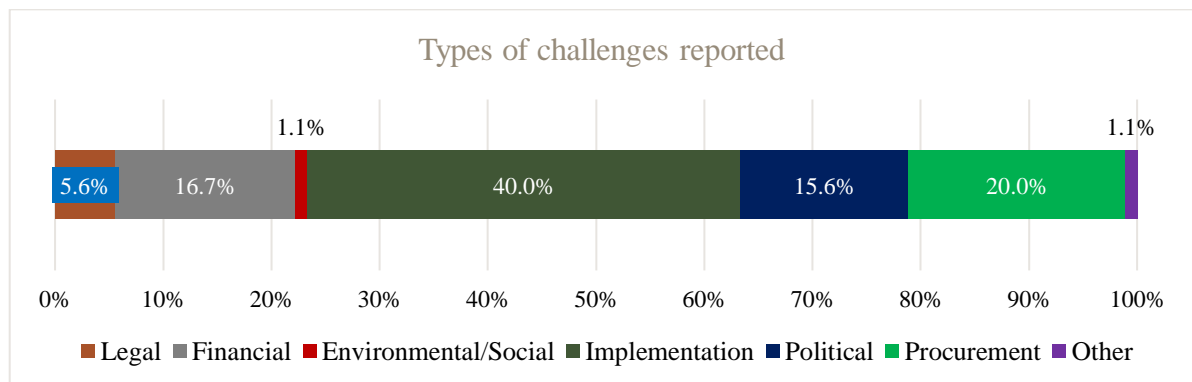


Figure VI-3. Challenges reported in the APRs

Source: IEU DataLab. Data extracted from 55 submitted APRs. Data valid as of 8 July 2019.

13. In APRs, AEs are required to address how their gender and social action plans are progressing and to provide an update on the implementation of ESS, including any risks or vulnerabilities that may have been identified over the year. The APR template also requests an update on “planned ESS activities”.
14. The Fund’s portfolio is still young and does not allow for a meaningful and comprehensive analysis of the actual quality of APRs with regard to ESS. **However, in the 55 APRs examined, there was very limited reporting on ESS and gender. Overall, 28 of the 55 APRs self-reported on tracking ESS and gender, and only one APR mentioned indigenous peoples** (See Box VI-1 for some examples). The IEU’s RMF review previously highlighted these challenges with the AEs’ self-reporting through APRs.

Box VI-1. Examples of reporting on ESS and gender in the APRs

“All activities undertaken during the reporting period remained within this risk category C as a result of careful monitoring by the AE. The project is committed to make use of environmentally friendly and completely reversible techniques and methods during the establishment of demonstration sites and throughout the production chain.” (APR #1)

“Key risks and challenges identified prior to and during construction include management of labor and workforce, occupational health and safety, community safety, water, and waste management and community investment planning and delivery. Each of the sponsors has been monitored against the site-wide and specific plans, both of which are aligned with national laws, lender standards, and good practice.” (APR #2)

15. Based on our observations during the country missions and consultations with AEs and NDAs, the deficiencies with respect to reporting on environmental and social performance and gender are mainly because there is no guidance on exactly what must be reported in the ESS template sections of the APR. However, it is also true that many of these projects are still in their early stages of implementation.
16. The IEU’S RMF review points out that the RMF does not provide standards to ensure the integration and effective reporting of outcomes and impacts of environmental and social co-benefits. Additionally, from the portfolio analysis, we note that of the 56 projects under implementation, of which 37 submitted APRs, a total of 126 planned ESS activities were included in the ESMPs. However, in the APRs, only 67 “ESS activities” are mentioned – that is, tracked. Figure VI-4 presents the 24 FPs that mentioned “planned ESS activities” in their APRs and illustrates the number provided in their APRs compared to the number outlined in their ESMPs.

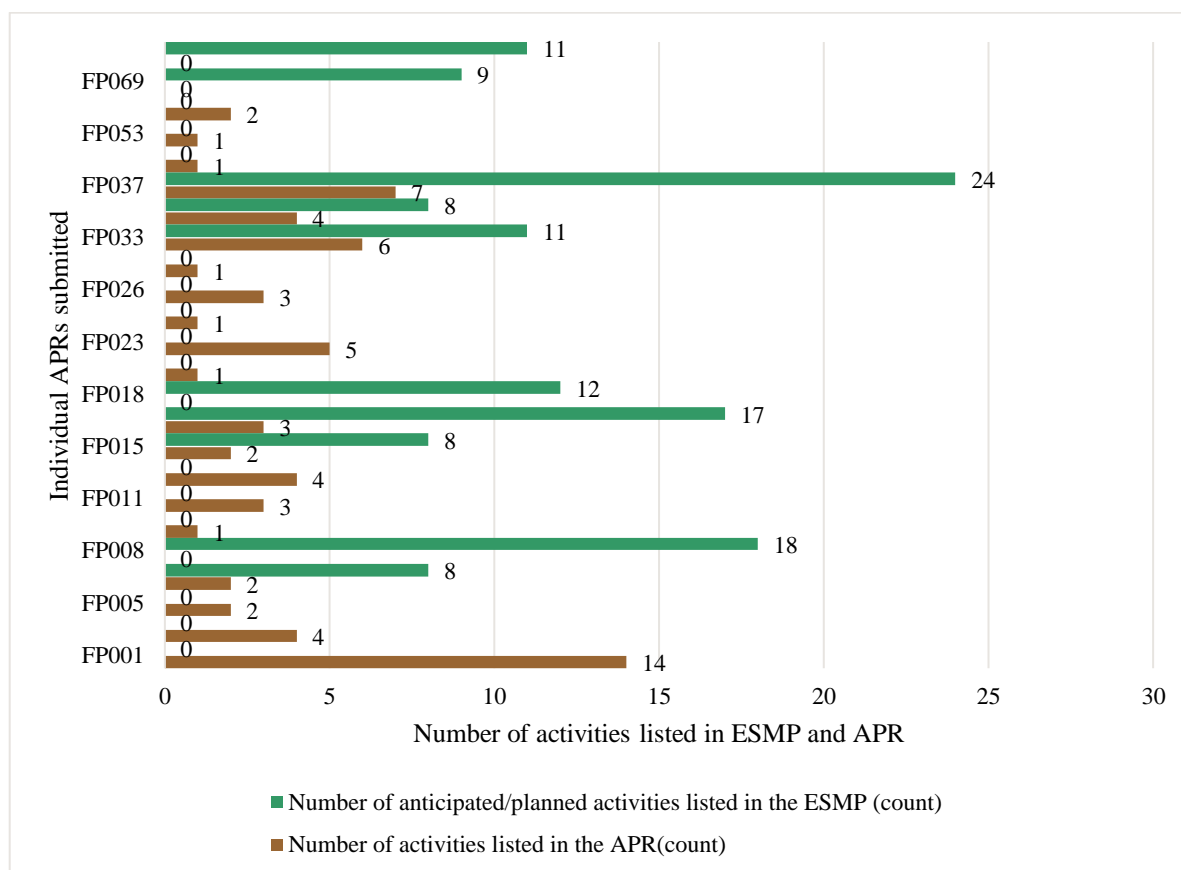


Figure VI-4. Environmental and social activities in ESMPs versus self-reported in APRs

Source: IEU DataLab. Data collected and coded from APRs and ESMP documents. Data valid as of 8 July 2019.

c. Reporting on ESS conditions set out in FAAs

17. In the GCF, AEs are responsible for implementing approved projects in compliance with the FAA conditions, and the APR is a key instrument for reporting compliance with these conditions. The extent to which projects are reporting on the ESS conditions placed on FAAs is central to the quality of the APRs. As of 8 July 2019, 75 FAAs had been executed. Of these, 87 per cent have at least one ESS condition attached to them (see Table VI-2 below).

Table VI-2. FAA conditions by ESS category

CONDITIONS	FAA WITH CONDITIONS	% OF FAA WITH CONDITIONS
Submit ESMP	35	46.7 %
Measure to comply with ESAP/ESS	47	62.7 %
Continuous screening of risks and impacts	28	37.3 %
Indigenous peoples and land rights	54	72.0 %
GAPs	5	6.7 %
Total executed FAA	75	

Source: IEU DataLab. Categorization of the ESS conditions attached to FAAs. Extracted from 75 executed FAAs. Data valid as of 8 July 2019.

18. The majority of ESS conditions that are attached to FAAs are covenants. Covenant-type conditions do not have a time frame attached for their fulfilment, and the GCF relies on AEs' self-reporting of these conditions through their APRs, when/if they are fulfilled by AEs. The GCF has no systematic method for tracking these covenants, however.
19. Figure VI-5 illustrates the percentage of ESS conditions as per the type of conditions across the portfolio of 75 executed FAAs. Of all ESS FAA conditions, 91.8 per cent are "Covenant of AE type" conditions. Table VI-3 offers an overview of the FAAs' ESS conditions for the projects included in the country case studies of this evaluation.
20. **Considering most of the MAF's tools and systems for monitoring and evaluation are not in place, the GCF has very limited oversight over AEs' compliance with these ESS conditions (in particular covenant-type conditions), and unless AEs self-report these, the GCF is unable to take remedial measures if there are any ESS compliance or performance issues.**

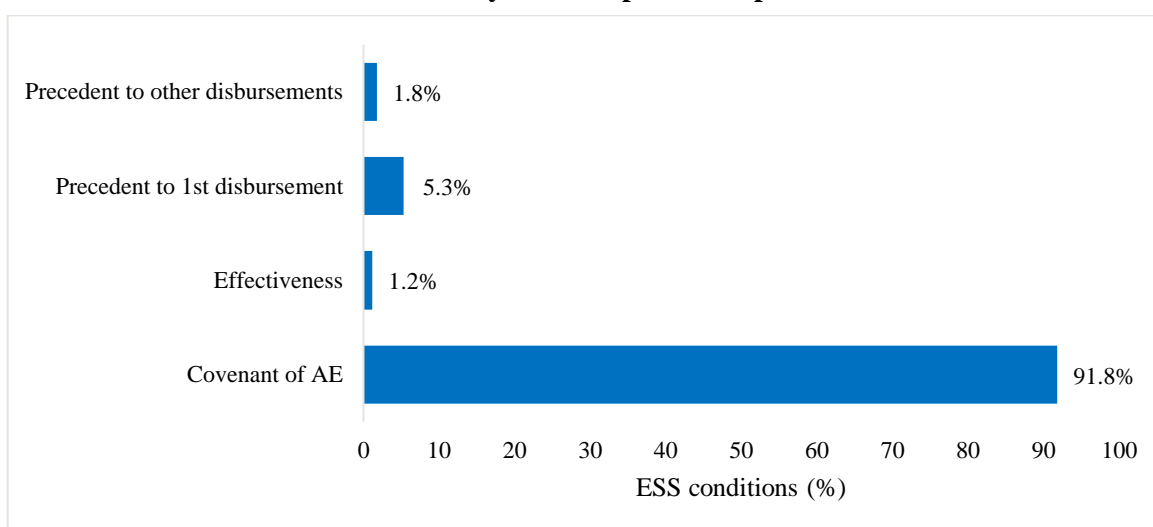


Figure VI-5. ESS conditions from the FAAs

Source: IEU DataLAB. Data extracted from 75 executed FAAs. Data valid as of 8 July 2019.

Table VI-3. Overview of FAAs' ESS conditions for projects included in the country case studies

FAA NUMBER	FAA TYPE	ACCREDITED ENTITY	DATE OF EXECUTION	DATE OF EFFECTIVE NESS	CONDITION TYPE	FAA CONDITIONS
FAA001	Grant	Profonanpe	2016-12-15	2017-03-10	Precedent to first disbursement	Ensure adequate stakeholder engagement
FAA001	Grant	Profonanpe	2016-12-15	2017-03-10	Precedent to other disbursement	Timely delivery of APRs and financial reports
FAA001	Grant	Profonanpe	2016-12-15	2017-03-10	Covenant of AE	Provide an ESMP
FAA016	Grant	UNDP	2017-06-07	2017-06-28	Precedent to other disbursement	Timely delivery of APRs and financial reports

FAA NUMBER	FAA TYPE	ACCREDITED ENTITY	DATE OF EXECUTION	DATE OF EFFECTIVENESS	CONDITION TYPE	FAA CONDITIONS
FAA016	Grant	UNDP	2017-06-07	2017-06-28	Covenant of AE	Continuously screen and monitor environmental and social risks and impacts
FAA043	Special Funds	EBRD	2017-11-03	2018-01-31	Covenant of AE	Comply with and implement Environmental and Social Appraisal and Action Plan
FAA043	Special Funds	EBRD	2017-11-03	2018-01-31	Covenant of AE	Submit to the Fund a detailed ESMP including the Land Acquisition and Compensation Framework
FAA047	Special Funds	EBRD	2018-03-30	2018-05-08	Covenant of AE	Anti-Money-Laundering and Countering the Financing of Terrorism
FAA047	Special Funds	EBRD	2018-03-30	2018-05-08	Covenant of AE	Provide an ESMP
FAA047	Special Funds	EBRD	2018-03-30	2018-05-08	Covenant of AE	Place adequate measures to ensure that ESS risks and impacts arising comply with environmental and social action plan (ESAP)
FAA063	Trust Arrangements	IDB	2018-12-24	2019-01-16	Precedent to other disbursement	Timely delivery of APRs and financial reports
FAA063	Trust Arrangements	IDB	2018-12-24	2019-01-16	Representations and warranties of AE	Anti-Money-Laundering and Countering the Financing of Terrorism
FAA063	Trust Arrangements	IDB	2018-12-24	2019-01-16	Covenant of AE	Place adequate measures to ensure that ESS risks and impacts arising comply with ESAP
FAA063	Trust Arrangements	IDB	2018-12-24	2019-01-16	Covenant of AE	Continuously screen and monitor environmental and

FAA NUMBER	FAA TYPE	ACCREDITED ENTITY	DATE OF EXECUTION	DATE OF EFFECTIVENESS	CONDITION TYPE	FAA CONDITIONS
						social risks and impacts

Source: IEU DataLab. Data valid as of 8 July 2019.

2. TO WHAT EXTENT HAVE THE GCF GRIEVANCE REDRESS REQUIREMENTS AND MECHANISMS HELPED TO ADDRESS EMERGING CONCERNS/COMPLAINTS AND TO MITIGATE RISKS RELATED TO ESP/STANDARDS?

21. The approach of the GCF is to provide access for grievance and redress at the GCF, AE and activity levels. In the 55 APRs received, issues/grievances have been raised and self-reported across all ESS categories (see Table VI-4). It is important to note that these are limited to “high ESS risk” projects.¹¹¹
22. **Country missions generally revealed that the objectives and procedures of the GCF’s IRM, AEs’ GRMs and the project-specific GRMs were broadly unfamiliar to stakeholders.** Awareness-raising and sensibilization about available GRMs and how to access them appear to be deficient. While the GCF’s IRM has engaged with civil society (“Civil Society Outreach”) in workshops, with financial intermediaries and AEs through a regional workshop hosted by ADB, and with DAEs through GCF events and the “DAE and CSOs Capacity Building” workshop in Songdo,¹¹² awareness is limited at the project and country levels across countries visited by the IEU. Based on our consultations, it was noted that the GCF’s IRM, as part of its mandate, plans to develop learning modules for use in online and in-person training, to strengthen the capacity of DAEs and their grievance mechanisms.
23. Generally, compliance issues regarding safeguards implementation are a growing challenge for climate funds. For example, as of 2012, the independent accountability mechanisms of eight international financial institutions (and one bilateral agency) handled a total of 260 cases of eligible complaints regarding environmental and social issues from 72 countries.¹¹³ Based on our observations during the country missions and consultations with stakeholders, the growing challenge described above requires a strong case management system that is fit for purpose for the GCF, considering the GCF business model and the necessity to link with project-level and AE-level grievance mechanisms.

¹¹¹ For instance, there is at least one category C project that had to deal with issues of reporting consent.

¹¹² GCF/B.23/23 Agenda item 6 Reports from the independent units, and GCF/B.23/Inf.03.

¹¹³ Kristen Lewis, “Citizen-Driven Accountability for Sustainable Development” (Independent Accountability Mechanism Network, 2012). Available at

http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/Rio20_IAMs_Contribution.pdf.

Table VI-4. Grievances/issues self-reported by AE GRMs in APRs

IFC PERFORMANCE STANDARDS: PROBLEMS OR ISSUES WITH GRIEVANCES REPORTED IN APRs	FP REFERENCE NUMBER (COUNTRY)	DESCRIPTION OF ISSUE	SETTLED OR PENDING?	ESS CATEGORY OF FP
Assessment and management of E&S risk and impacts	FP016_2 (Sri Lanka)	There were concerns and questions raised about project activities, largely due to misunderstanding about the scope of the project.	Settled	Category B
Labour and working conditions	FP047 (Kazakhstan)	Management of labour and workforce, occupational health and safety is a risk/issue that has been identified since project implementation.	Ongoing monitoring	Category A
Resource efficiency and pollution prevention	N/A			
Community health, safety, and security	FP047 (Kazakhstan)	Community health and safety is a risk/issue that has been identified since project implementation.	Ongoing monitoring	Category A
Land acquisition and involuntary resettlement	FP016_2 (Sri Lanka)	Concerns were raised by farmers that their land in the reservation (i.e. buffer zone) of the targeted tanks may be inundated.	Concern is being handled according to established government procedures through establishing a participatory demarcation group.	Category B
Biodiversity and conservation	FP016_2 (Sri Lanka)	A complaint was lodged over a leakage in a VIS bund of Palugaswewa cascade, which has been partially completed.	Settled	Category B
Indigenous peoples	FP001_1 (Peru)	Complaints received from the indigenous communities are related to delays in the execution of some of the programmed activities.	In process	Category C
	FP011_1 (Gambia)			Category C
Community health, safety, and security	FP001_2 (Peru)	During the reporting period, oil spills occurred frequently in the pipeline that crosses the territory of the province, causing the authorities and indigenous peoples to focus on remediation and negotiation activities.	Settled	Category C

IFC PERFORMANCE STANDARDS: PROBLEMS OR ISSUES WITH GRIEVANCES REPORTED IN APRs	FP REFERENCE NUMBER (COUNTRY)	DESCRIPTION OF ISSUE	SETTLED OR PENDING?	ESS CATEGORY OF FP
	FP016_2 (Sri Lanka)	There were two cases where an individual landowner complained about the disposal of desilted materials.	Resolved	Category B

Source: IEU DataLab. Key data collected, codified and stored from all APRs. Data valid as of 8 July 2019.

3. TO WHAT EXTENT ARE RESULTS AND IMPACTS FROM GCF-FUNDED PROJECTS LIKELY WITH REGARD TO ENVIRONMENTAL AND SOCIAL OUTCOMES AND CO-BENEFITS?

24. APRs provide a basic level of insight in determining the likely results and impacts of GCF investments. As per Board-approved guidance, APRs need to include a narrative report (with supporting data) on implementation progress, based on the logical framework submitted in the FP and on considerations of the ongoing performance of the project/programme against the GCF investment framework criteria.¹¹⁴ APRs are required to align with the set of results areas, and the menu of indicators set out in the RMF and its performance measurement frameworks (PMFs) for adaptation and mitigation.
25. The RMF itself was developed and subsequently updated through several Board decisions.¹¹⁵ At B.05, the Board decided that

*“the Fund’s RMF will: (i) enable effective monitoring and evaluation of the outputs, outcomes and impacts of the Fund’s investments and portfolio, and the Fund’s organizational effectiveness and operational efficiency; (ii) include measurable, transparent, effective and efficient indicators and systems to support the Fund’s operations, including, inter alia, how the Fund addresses economic, social and environmental development co-benefits and gender sensitivity.”*¹¹⁶
26. **The current RMF and PMFs do not specify social, environmental or economic co-benefit indicators at Fund level or for measuring project/programme outcomes. Hence, the APRs are unable to reflect any reporting on such co-benefits on an annual basis.** These indicators are not refined, and refinement would provide a better sense of how project-specific outcome and impact indicators could be aggregated to provide meaningful measures of the Fund’s environmental and social performance. However, in the absence of specific reporting requirements on co-benefits, social and environmental performance cannot be captured in current monitoring and reporting instruments at the project/programme level.
27. Consequently, APRs are only required to report on gender-sensitive outcome indicators included in their log frames at project approval. Portfolio analysis identified that only 30 of the 55 APRs included a reference to “Reports on Gender outcomes”. Figure VI-6 shows that more than 80 per cent of APRs refer to the gender action plan (GAP), and only half of all APRs mention a monitoring and evaluation system for ESS and gender-related considerations. Furthermore, as indicated above,

¹¹⁴ GCF/B.11/24/, Decision B.11/10, Annex I., 1.

¹¹⁵ Decision B.22/12 in GCF/B.22/24 and GCF/B.22/07.

¹¹⁶ GCF/B.05/23/, Decision B.05/03/ (g).

while AEs seem to submit updates on their GAPs and activities, there is currently no structured approach to reporting on gender-related achievements at the Fund level, which could contribute to a meaningful understanding of the social performance of the Fund as well.

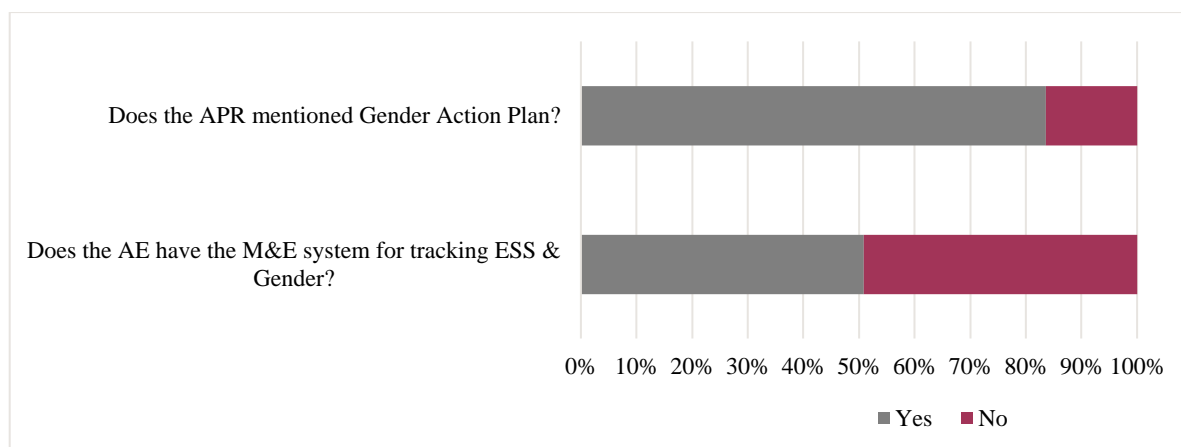


Figure VI-6. Self-reporting on gender through APRs

Source: IEU DataLab. Data extracted from 55 submitted APRs. Data valid as of 8 July 2019.

C. FINDINGS

28. **The MAF's systems and tools that may help monitor ESS compliance and environmental and social performance and co-benefits are not in place.** The GCF relies solely on AEs' self-reporting through APRs. Without the MAF's systems and tools in place, the GCF does not have any oversight over ESS compliance, nor adequate information to enable it to take any necessary remedial measures. It also cannot currently measure environmental and social co-benefits and performance.
29. **There is limited oversight of FAA ESS conditions.** Considering most of the MAF's tools and systems for monitoring and evaluation are not in place, the GCF has very limited oversight over AEs' compliance with these ESS covenant-type conditions, and unless AEs self-report on these, the GCF is unable to take remedial measures if there are any ESS compliance or performance issues. As 91.8 per cent of all ESS FAA conditions are "Covenant of AE type", it is critical to address this.
30. **APRs provide very limited information with regard to ESS and gender.** Despite the fact that the RMF is required to include measurable, transparent, effective and efficient indicators for ESS and gender, these are yet to be specified. Consequently, APRs are only reporting on ESS inputs and outputs, not on impacts/outcomes. The latest APR template requires progress reporting on the investment criteria, which are not integrated into the RMF.
31. There is **limited awareness of the monitoring and accountability responsibilities in the Secretariat.** Monitoring and accountability involve a series of actors with specific roles and responsibilities. These include AEs, the Secretariat and the GCF accountability units, NDAs or focal points, the direct beneficiaries of projects and programmes, project-affected people and communities, and other local actors, such as local governments, CSOs, non-governmental organizations and the private sector.¹¹⁷ Country case studies and KIIs noted country stakeholders are not aware of their role or the responsibilities allocated to other actors, which may have an impact on the effectiveness of reporting duties. The RMF review also noted this and also highlighted that NDAs are emerging as important users of the information on results from GCF projects.

¹¹⁷ GCF/B.11/24/, Decision B.11/10, Annex I., paragraph 2.

Nonetheless, the GCF has not produced guidance for the NDAs' role beyond granting no-objection letters. This has become a source of confusion and tension between the NDAs and AEs and is a lost opportunity to improve coordination and to improve the use and reporting of information on results by building country capacities.

32. **APRs are being used to report on emerging concerns and complaints concerning ESS.** This illustrates that GCF requirements and mechanisms are functioning in theory. However, in practice, there have been concerns about how grievances and redress should/could be further operationalized – for example, through sharing information on grievance complaints and lessons learned across levels (AE, project and GCF) to ensure better communication and capacity-building across all levels. Some consultations identified APRs as a too-static tool.
33. **Based on our consultations with AEs, EEs and others during the country missions, there is also limited awareness of the available GRMs through the GCF.** In some instances, the NDA and AE representatives in countries indicated that “(t)here is no need for an additional grievance mechanism through the GCF”. Stakeholders were broadly unfamiliar with the procedures of GRMs at all levels – that is, those for the AEs and projects and the GCF’s IRM. While we acknowledge the awareness-raising and training done by the IRM, it should be noted that awareness-raising and sensibilization about available GRMs, including also building them into the GCF-funded project rather than only the AE institutional level, is deficient. Clarity about how to access the IRM appeared to be deficient, based on the country missions undertaken.
34. **With a growing portfolio and challenges related to grievance, a fit-for-purpose case management system** will likely become a necessity to ensure efficient and effective linkage and management, given the GCF business model.
35. **The Fund’s portfolio is still young and does not allow for a meaningful and comprehensive analysis of actual results and impacts. However, neither do plans exist to conduct verification activities within the Secretariat.** There are 56 projects under implementation, of which 37 have submitted their APR as of 8 July 2019 (see Figure VI-7). The GCF is not able to assess the ESS performance of funded activities without the RMF requiring reporting on impact- and outcome-level ESS and co-benefit indicators. The current emphasis in the APR reporting is on ESS inputs and outputs, which does not provide the GCF with the robust impact measurement framework required to assess results concerning ESS. Reporting to date is meagre and is mostly self-reporting. Based on the consultations, there seems to be little to no understanding in the Secretariat that AEs’ self-reporting needs verifying.

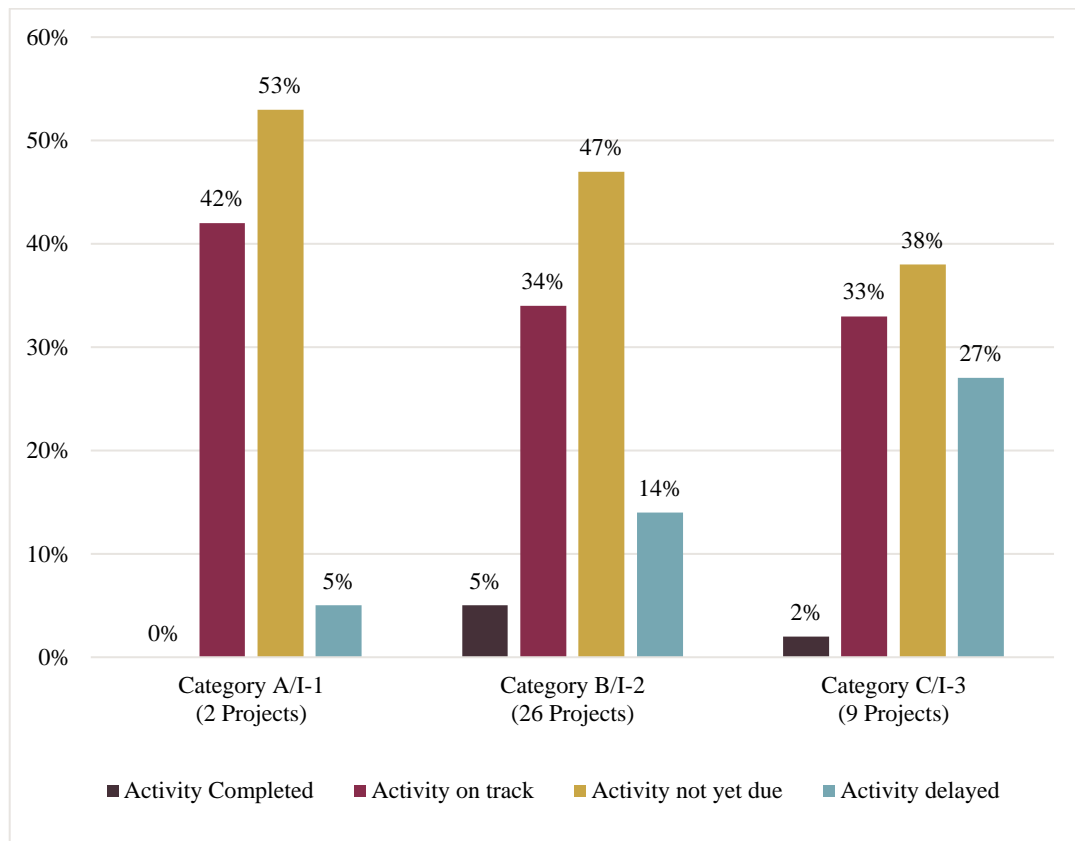


Figure VI-7. Implementation status of the funded activities as reported in the APRs by project ESS category

D. CONCLUSIONS AND RECOMMENDATIONS

36. **The Secretariat should consider setting up an early warning system as part of its MAF** to assist its assessment of project-related risks (“project risk flags”) and risks related to the overall performance of the AEs (“AE risk flags”). The MAF should also include checks on the environmental and social performance and environmental and social co-benefits.
37. **The Secretariat needs to carry out ad hoc checks of projects, by taking into account the risk flags of the early warning system and portfolio sampling, as laid out in the MAF.** The Secretariat should be allocated adequate resources to carry out this responsibility.
38. Any **portfolio management system set up to operationalize the MAF should include** information from accreditation of an AE through to recent project reports and interim/final evaluations and should monitor follow-up FAA conditions.
39. **The Secretariat should develop and adopt guidance regarding the reporting of ESS and co-benefits, which had been requested in part through the MAF.** To date, specific guidance on reporting has not been set up. The specific guidance should focus on clarifying roles and responsibilities for ongoing reporting on safeguard-related issues and environmental and social co-benefits during project implementation, including tracking potential environmental and social risks.
40. **The Secretariat should build and require environmental and social outcome and impact reporting systems,** while also laying down guidance and ensuring that the responsibility within the Secretariat for monitoring these outcomes is made clear.

41. **Clear roles and responsibilities for ensuring, monitoring and reporting on environmental and social performance and co-benefits should be urgently established within the Secretariat.**
42. As the RMF is currently being revised by the Secretariat, it should also be updated **to require reporting on ESS impact and outcome indicators**, to provide the GCF with a comprehensive and robust impact measurement system, as required to effectively assess results concerning ESS.
43. **The APR template should be improved** by also focusing on impact and outcome reporting on ESS and environmental and social co-benefits. The latest APR template requests progress reporting on the investment criteria, which are, to date, not integrated into the RMF.
44. There needs to be **verification for APRs**, which is both grounds based and systematically incorporates the expertise in the Secretariat. Covenants, for example, are not looked at by the legal team unless there is an explicit request. This needs to change.
45. There also needs to be a **machine-based system** for tracking the content and promises of APRs that is accessible by all parts of the GCF. This system will both enhance the quality of review and make these APRs easily accessible and trackable. This will become important as the size of the implemented portfolio increases and the quality of implementation becomes a key (and reputational) issue for the GCF.
46. The AEs should be required to carry out **awareness-raising on project-level GRMs** throughout the life cycle of the project, and this should be reinforced and monitored. The GCF should strengthen awareness-raising activities with regard to the IRM at the AE, civil society and project levels.

Chapter VII. SPECIAL STUDY: PILOT PROGRAMME FOR REDD+ RESULT-BASED PAYMENT

KEY RECOMMENDATIONS

- The GCF should **take steps to evaluate its pilot programme for REDD+ RBPs**, with a focus on examining its effectiveness and alignment with the WFR while drawing on lessons learned from other initiatives. This evaluation should include assessing compliance through specific indicators that guide on and speak to stepwise processes through which REDD+ countries have demonstrated continued improvement in meeting the Cancun Safeguards.
- If the GCF wants to ensure full alignment of its pilot programme for REDD+ RBPs with the WFR, it will **need to consider ways to respect the autonomy and sovereignty of countries** and impose no additional safeguard requirements beyond those in the Cancun Safeguards.
- Detailed specifications on how the Cancun Safeguards need to be developed **should draw on lessons learned from the ex ante application of Cancun Safeguards on the GCF portfolio**. These should aim to inform safeguards compliance for the “use of proceeds” without posing an additional burden to countries.
- The GCF should **work towards clarifying the concept of co-benefits** and strengthening their identification, monitoring and reporting when providing RBPs to REDD+ initiatives, recognizing that non-carbon benefits play a key role in the long-term sustainability of REDD+ implementation.

KEY FINDINGS

- The GCF’s pilot programme for REDD+ RBPs is not fully consistent with the WFR. Entities financing REDD+ implementation are required to apply methodological guidance agreed under COP, to improve the effectiveness and coordination of REDD+ results-based finance. The GCF, in a key role to channel climate finance, is requested by the UNFCCC to develop and apply such methodological guidance. This is not currently evident in the GCF’s pilot programme.
- The GCF is applying additional safeguard requirements beyond those set out by the WFR. Safeguards for REDD+ under COP methodological guidance should be applied in consideration of national capacities, sovereignty and legislation, and be reported in an ex post manner. As per WFR, no additional safeguard or associated requirements should be required/imposed. The GCF’s practices contravene this.
- The GCF’s pass/fail approach under the scorecard is not consistent with the WFR. When assessing Cancun’s safeguard requirements, such a pass/fail approach entails assessing compliance or non-compliance in a binary manner, which fails to capture the progressive nature through which countries are expected to implement and report on safeguards, including reflections on challenges and areas for improvement.
- The introduction of the concept “use of proceeds” contradicts the WFR’s concept of RBP. Safeguard provisions and procedures applicable to the use of proceeds under GCF’s business model for ex ante financing entail key features that differ from the methodological guidance under the WFR for REDD+, and thus pose an additional burden to delivering REDD+ results-based actions and accessing RBPs.
- The GCF does not monitor or assess the achievement of co-benefits in REDD+ and ignores a key attribute of WFR.

A. INTRODUCTION

1. This chapter is a special case study that assesses the coherence of the GCF's pilot programme for REDD+ RBPs (decision B.18/07) with a focus on the safeguard provisions set out in the GCF's REDD+ pilot programme. The chapter discusses and analyses two key questions:
 - To what extent are the safeguard provisions in the GCF's pilot programme for REDD+ coherent with the methodological guidance for REDD+ set out in the WFR?
 - What are the early lessons from the pilot programme in this regard?
2. The methods employed for this chapter include, among others, (a) a desk review of relevant documents – in particular, the relevant policies and provisions of the GCF's REDD+ pilot programme and approved FPs; and (b) KIIs with REDD+ country government representatives, the UNFCCC and actors involved in international REDD+ financing.

B. DATA AND ANALYSES

3. The following section illustrates how these key questions have been assessed.

1. TO WHAT EXTENT ARE THE SAFEGUARD PROVISIONS IN THE GCF'S PILOT PROGRAMME FOR REDD+ COHERENT WITH THE METHODOLOGICAL GUIDANCE FOR REDD+ SET OUT IN THE WFR?

a. Context

4. After several years of negotiations and discussions at the international level, the UNFCCC COP adopted the WFR at its nineteenth meeting in December 2013.¹¹⁸ This officially anchored REDD+ to the UNFCCC regime. The WFR builds on previous COP decisions and clarifies and consolidates the requirements and methodological guidance for countries to access results-based finance.¹¹⁹ According to the WFR, developing country Parties aiming to receive results-based finance for REDD+ must undertake the following:
 1. Ensure that the anthropogenic forest-related emissions by sources and removals resulting from the implementation of REDD+ activities are fully measured, reported and verified following UNFCCC guidance.¹²⁰
 2. Have the following in place:¹²¹
 - a. A national strategy or action plan on how they will reduce forest emissions and/or enhance forest carbon stocks¹²²
 - b. A national forest reference emission level and/or forest reference level¹²³ (that has undergone a UNFCCC-coordinated technical assessment process)
 - c. A robust and transparent national forest monitoring system for the monitoring and reporting of REDD+ activities
 - d. A system for providing information on how the safeguards are being addressed and respected, known as the Safeguard Information System

¹¹⁸ UNFCCC Decisions 9/CP.19; 10/CP.19; 11/CP.19; 12/CP.19; 13/CP.19; 14CP.19 and 15/CP.19.

¹¹⁹ UNFCCC Decision 2/CP.17, paragraph 63.

¹²⁰ UNFCCC Decision 1/CP.16, paragraph 73.

¹²¹ UNFCCC Decision 1/CP.16, paragraph 71.

¹²² A link to which should be shared on the UNFCCC REDD+ Web Portal.

¹²³ Or if appropriate, as an interim measure, subnational forest reference emission levels and/or forest reference level.

3. Ensure that REDD+ activities, regardless of the source and type of funding, are implemented in a manner consistent with the UNFCCC REDD+ Safeguards.¹²⁴
 4. Provide the most recent summary of information on how all the UNFCCC REDD+ Safeguards have been addressed and respected before they can receive RBPs.¹²⁵
 5. The UNFCCC recognizes that safeguards are a key part of REDD+ implementation and **links their compliance to RBPs**, requiring that countries demonstrate how they have addressed and respected them throughout the implementation of their REDD+ activities.¹²⁶
5. **The breakdown of specific REDD+ safeguard requirements under the UNFCCC is as follows:**
- a) **Requirement 1: Implement REDD+ activities in a manner consistent with the Cancun Safeguards**
 - i) REDD+ activities, regardless of their type of funding source, must be implemented in such a way that the UNFCCC REDD+ Safeguards (commonly and hereafter referred to as the “Cancun Safeguards”) are addressed and respected.¹²⁷ This implies that countries should take steps to define *how* the Cancun Safeguards will be implemented and to ensure compliance with the safeguards *throughout* the implementation of REDD+ activities, in consideration of national capacities and capabilities as well as in recognition of national sovereignty and legislation and international obligations and agreements (See Box VII-1).

Box VII-1. The Cancun Safeguards

When undertaking REDD+ activities,¹²⁸ the following safeguards should be promoted and supported:

- (a) That actions complement or are consistent with the objectives of national forest programmes and relevant international conventions and agreements;
- (b) Transparent and effective national forest governance structures, taking into account national legislation and sovereignty;
- (c) Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples;
- (d) The full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities, in the actions referred to in paragraphs 70 and 72 of this decision;
- (e) That actions are consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to in paragraph 70 of this decision are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;¹²⁹
- (f) Actions to address the risks of reversals;
- (g) Actions to reduce the displacement of emissions.

Source: UNFCCC Decision 1/CP.16 Appendix 1 paragraph 2.

¹²⁴ UNFCCC Decision 2/CP.17 paragraph 63.

¹²⁵ UNFCCC Decision 9/CP.19 paragraph 4.

¹²⁶ UNFCCC Decision 17/CP.21.

¹²⁷ Decision 1/CP.16 paragraph 69, Decision 2/CP.17, paragraph 63.

¹²⁸ REDD+ activities are referred to in paragraph 70 of Decision 1/CP.16.

¹²⁹ Taking into account the need for sustainable livelihoods of indigenous peoples and local communities and their interdependence on forests in most countries, reflected in the United Nations Declaration on the Rights of Indigenous Peoples, as well as International Mother Earth Day.

- ii) There is broad agreement that REDD+ implementation should ensure as a minimum “do no harm” and, when possible, go beyond that to “do good”. During negotiations under the UNFCCC, an array of diverging views and concerns among State Parties and Observers revolved around the adequacy, transparency and robustness of implementing, monitoring and reporting on safeguards in the context of REDD+. During our interviews with key informants (see Annex 1), such concerns highlighted the fact that while countries were already used to the application of traditional risk-management safeguards under MDBs, effectively implementing REDD+ would entail policy transformations and innovative approaches to managing ecosystems and landscapes at a national scale while ensuring that these were anchored to the country’s unique national context and circumstances.
 - iii) **The seven Cancun Safeguards (see Box VII-1), an international principle-based framework of social, environmental and governance safeguards, under which REDD+ related activities are implemented, must accord with national capacities and must recognize national sovereignty and legislation.**¹³⁰ Indeed, in this, the Cancun Safeguards are unique in that they do not include procedural requirements (e.g. carry out a strategic environmental social assessment and adopt an ESMF) to comply with the principle, and thus **provide flexibility to customize the framework for safeguards, according to a country’s particular context and circumstances.**¹³¹ An integral piece of this framework is Cancun Safeguard (a), which requires REDD+ activities to, among other things, complement or be consistent with the relevant international instruments that REDD countries have signed, ratified or otherwise agreed to. These instruments relate not only to the environment but also to human rights and indigenous peoples’ rights. The language of the Cancun Safeguards indicates the intention of the Parties that REDD+ activities should actively pursue benefits beyond carbon emission reductions, such as enhancing biodiversity and other ecosystem services, improving forest governance and empowering relevant stakeholders by ensuring participation, among other things.
 - iv) The WFR further recognizes the importance of **incentivizing non-carbon benefits, or co-benefits, for the long-term sustainability of REDD+ implementation**, and highlights that their implementation should be supported by information on the nature, scale and importance of such co-benefits.¹³² Following this framework, countries can both minimize risks posed by REDD+ activities, and go beyond risk minimization, maximizing the potential for realizing REDD+ benefits – both carbon and non-carbon.¹³³
- b) **Requirement 2: Establish a system to provide information on how the Cancun Safeguards are being addressed and respected (the Safeguards Information System).**
- i) Countries implementing REDD+ activities are required to establish a system to provide information on how the seven Cancun Safeguards are being addressed and respected in

¹³⁰ Nicholas Moss and Ruth Nussbaum, “A Review of Three REDD+ Safeguard Initiatives” (Forest Carbon Partnership Facility, UN-REDD Programme, 2011), p. 3.

¹³¹ UN-REDD Programme, “Country Approaches to REDD+ safeguards, A Global Review of Initial Experiences and Emerging Lessons” (2015). Available at <https://www.unredd.net/documents/redd-papers-and-publications-90/16673-technical-resource-series-2-country-approaches-to-redd-safeguards-a-global-review-of-initial-experiences-and-emerging-lessons-1.html?path=redd-papers-and-publications-90>.

¹³² UNFCCC, Decision 18/CP.21, paragraph 2.

¹³³ UNFCCC, Decision 1/CP.16, paragraph 72.

all phases of implementation of REDD+ activities.¹³⁴ This is commonly referred to as the Safeguards Information System (SIS). According to the UNFCCC guidelines, the SIS should do the following:¹³⁵

- Be consistent with guidance in decision 1/CP.16 by informing “the stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system”,¹³⁶ and the commitments of developed country Parties¹³⁷ to developing country Parties’ REDD+ activities. It should also (a) be country-driven and consistent with the objective of environmental integrity and take into account the multiple functions of forests and other ecosystems; (b) be undertaken according to national development priorities, objectives, circumstances and capabilities (including adaptation needs of the country); and (c) be results-based and promote sustainable management of forests.
- Provide transparent and consistent information that is accessible by all relevant stakeholders and updated regularly.
- Be transparent and flexible to allow for improvements over time.
- Provide information on how all the safeguards are being addressed and respected.
- Be country-driven and implemented at the national level.
- Build upon existing systems, as appropriate. (This requirement broadly reflects the stepwise nature of the WFR when considering and allowing for improvements over time.)

c) Requirement 3: Provide a summary of information (SOI) on how the Cancun Safeguards are being addressed and respected.

- i) To receive RBPs, countries must present their most recent SOI demonstrating how the safeguards have been addressed and respected.¹³⁸ This SOI should be provided periodically and needs to be included in national communications or other communication channels identified by the COP.¹³⁹ Building on best practices from the implementation of Cancun Safeguards in the context of REDD+ readiness efforts, Parties to the UNFCCC agreed¹⁴⁰ that in informing conformance with how all Cancun Safeguards have been addressed and respected, the information should be provided in a way that ensures “transparency, consistency, comprehensiveness, and effectiveness”.¹⁴¹ Additionally, SOIs should be submitted once REDD+ implementation has begun and/or when accessing and obtaining RBPs. SOIs play a key role in enabling countries to access results-based financing, as they provide evidence that transparent, updated and country-driven information on all safeguards has been provided according to the key features agreed for the SIS.

6. Such a **self-reported retroactive assessment** on the extent to which and how a country has implemented Cancun Safeguards speaks to the ex post, programmatic and stepwise nature of

¹³⁴ UNFCCC Decision 1/CP.16, paragraph 71(d).

¹³⁵ UNFCCC Decision 12/CP.17, paragraph 2.

¹³⁶ Article 2 of the United Nations Framework Convention on Climate Change (UNFCCC).

¹³⁷ And other developed Parties under Annex II of the UNFCCC.

¹³⁸ Decision 9/CP.19, paragraph 4.

¹³⁹ Decision 12/CP.17, paragraph 4.

¹⁴⁰ At COP21.

¹⁴¹ UNFCCC Decision 17/CP.21, see also UN-REDD brief on summaries of information.

REDD+. While a few countries have started submitting their SOIs to the UNFCCC, most are not doing so in the context of RBPs, but instead to demonstrate their social and environmental safeguard capacity when designing and implementing national REDD+ strategies and/or action plans. They are thus demonstrating the application of Cancun Safeguards in an ex ante manner so that they may be eligible for RBPs. An overview of most other financial sources supporting all REDD+ phases, and the application of the methodological guidance agreed under COP, with an emphasis on the WFR and safeguards, can be found in Annex 7.

b. Coherence of the GCF's pilot programme for REDD+ with the WFR

7. At its eighteenth meeting, the Board of the GCF agreed to establish a REDD+ RBPs pilot programme and allocated USD 500 million for it. A request for proposals (Decision B.18/07) was subsequently launched. The objective of the RBPs pilot programme is to **gather experience and further improve** the requirements and procedures applicable to REDD+ activities. The pilot programme was operationalized according to draft terms of reference, and a scorecard was developed for this purpose (GCF/B.18/23). As defined in the terms of reference and scorecard, the implementation of the pilot programme encompasses two stages for assessing submissions in response to the request for proposals.

i. First stage

8. The first stage establishes the eligibility criteria, requirements and assessment criteria for assessing CNs that have been received. For safeguards policies and requirements included in the eligibility criteria, and that apply to this stage of the pilot programme, CNs are expected to demonstrate the following (see Table VII-1):
 - Evidence of a system for providing information on how all safeguards referred to in Appendix I of 1/CP.16 have been addressed and respected
 - Evidence of having provided an SOI to the UNFCCC on how all safeguards were addressed and respected during the results period
9. Conformance with eligibility criteria is verified against the scorecard, using a pass/fail assessment (see Table VII-1).

Table VII-1. IEU assessment of coherence with the WFR at the first stage of the scorecard

REQUIREMENT/CRITERIA	POLICIES/ SAFEGUARDS APPLICABLE	TIME FRAME APPLICABLE	COHERENCE WITH THE WFR (SCOPE AND TIME FRAME) (YES/NO: ASSESSMENT BY IEU)
Section 1: Eligibility criteria			
<i>In relation to UNFCCC decisions</i>			
(iv) Is a system in place for providing information on how all of the safeguards referred to in Appendix I of 1/CP.16 are addressed and respected?	Cancun	Period of the results considered in the RFP	Yes
(v) Has an SOI been provided to the UNFCCC Information Hub or in the National Communication on how all of the safeguards were addressed and respected during the results period under consideration?	Cancun	Period of the results considered in the RFP	Yes

ii. Second stage

10. Countries considered eligible after the pass/fail assessment in the first stage are invited to submit an FP through existing AEs. When developing FPs, AEs are expected to work in close coordination with national REDD+ entities or focal points. FPs can include for consideration the total of emissions reductions achieved by a country as a result of implementing REDD+ activities for the period between 31 December 2013¹⁴² and 31 December 2018¹⁴³ (see Table VII-2). Allocation of the GCF's results-based funding for REDD+ results-based activities constitutes ex post payments for emission reductions achieved, and are fully measured, reported and verified, using the methodological guidance under the WFR.
11. Nevertheless, rather than financing specific actions that will lead to emission reductions (e.g. measures to protect forests), the GCF RBPs pilot programme provides an ex post reward and therefore constitutes an incentive for the REDD+ country (the recipient) to take these actions. **However, the current GCF REDD+ RBPs pilot programme contradicts the ex post nature of REDD RBPs by laying conditions on the “use of proceeds” for reinvesting RBPs.** This creates additional requirements and responsibilities to countries accessing RBPs by posing safeguards requirements applicable to the GCF's business model for ex ante financing, which is examined below.
12. **Use of proceeds:** The GCF's pilot programme for REDD+ RBPs requires that “proceeds” are reinvested through AEs in activities aligned with countries' nationally determined contributions under the Paris Agreement, national strategies, or action plans for REDD+ implementation or other low-carbon development efforts. Accordingly, provisions and procedures applicable to the use of proceeds entail steps that have not been considered in the methodological guidance under the WFR for ex post REDD+ RBPs and thus pose an additional burden to accessing RBPs under the GCF pilot programme. In terms of requirements and eligibility criteria to be met to achieve a pass against the scorecard, it is worth noting that the terms of reference establish requirements differentiated by two factors:
 - Those **applicable to activities undertaken in the past** (and which resulted in the mitigation outcomes for which RBPs are being requested)
 - Those **applicable to activities proposed under the FP for the use of proceeds** (see Table VII-3)
13. It should be noted, however, that the GCF is not unique in requiring conditions for how proceeds are used. The Carbon Fund of the World Bank,¹⁴⁴ for example, also pushes countries to reinvest RBPs in specific areas that are meant to encourage emission reductions. However, the GCF pilot programme does not mention the type of activities that may benefit from these proceeds. Furthermore, the pilot programme does not acknowledge the practical implications (and burden) of imposing these conditions.

¹⁴² As per date of adoption of the WFR.

¹⁴³ Emissions reductions to be considered under the GCF's REDD+ pilot programme should be taken from the country's technical annex to the Biennial Update Reports already assessed under the UNFCCC, following the monitoring, measuring and verification guidance under the WFR.

¹⁴⁴ As well as other bilaterals.

Table VII-2. IEU assessment of coherence with the WFR at the second stage of the scorecard – part I

REQUIREMENT/CRITERIA	POLICIES/ SAFEGUARDS APPLICABLE	TIME FRAME APPLICABLE	COHERENCE WITH THE WFR (SCOPE AND TIME FRAME)** (YES/NO: ASSESSMENT BY IEU)
The following is based on the “Summary of information on how the safeguards in 1/CP.16 are being addressed and respected throughout the implementation of activities” (Decision 12/CP.17).			
<i>Does the “summary of information on safeguards” provide information on how each of the safeguards below was addressed and respected in a way that ensures transparency, consistency, comprehensiveness and effectiveness?</i>			
(i) That actions complement or are consistent with the objectives of national forest programmes and relevant international conventions and agreements	Cancun	Period of the results considered in the RFP	Yes
(ii) Transparent and effective national forest governance structures, taking into account national legislation and sovereignty	Cancun	Period of the results considered in the RFP	Yes
(iii) Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples	Cancun	Period of the results considered in the RFP	Yes
(iv) The full and effective participation of relevant stakeholders, in particular, indigenous peoples and local communities, in the actions, referred to in paragraphs 70 and 72 of this decision	Cancun	Period of the results considered in the RFP	Yes
(v) That actions are consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to in paragraph 70 of this decision are not used for the conversion of natural forests, but are instead used to incentivize the 12 protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits	Cancun	Period of the results considered in the RFP	Yes
(vi) Actions to address the risks of reversals	Cancun	Period of the results considered in the RFP	Yes
(vii) Actions to reduce the displacement of emissions	Cancun	Period of the results considered in the RFP	Yes

Note: * Failing on one criterion implies failing the programme.

** Considers only coherence with the WFR in terms of scope and time frame implications for the period of the results in the RFP.

Table VII-3. IEU assessment of coherence with the WFR at the second stage of the scorecard – part II

REQUIREMENT / CRITERIA	POLICIES/ SAFEGUARDS APPLICABLE	TIME FRAME APPLICABLE	COHERENCE WITH THE WFR (SCOPE AND TIME FRAME)* IEU ASSESSMENT
ESS	GCF's	Period of the results considered in the RFP	No. The WFR relies on the SOI to provide self-assessment on how Cancun Safeguards have been addressed and respected.
		Use of proceeds	No. The WFR does not establish any conditions, including on safeguards, towards the use of RBP, including on grievance redress.
Risk assessment	GCF's	Period of the results considered in the RFP	No. The WFR requires that REDD+ activities have been implemented in coherence with Cancun Safeguards to be reported through SOIs upon request for RBPs. No risk assessments are considered in the WFR.
		Use of proceeds	No. The WFR does not establish any conditions, including on risk assessments, towards the use of RBP.
Gender	GCF's	Period of the results considered in the RFP	No. The WFR requires REDD+ activities that have been implemented in coherence with Cancun Safeguards to be reported through SOIs upon request for RBPs. SOIs theoretically should include a gender-sensitive approach, considering Cancun Safeguards are anchored to international agreements on human rights, indigenous peoples and women.
		Use of proceeds	No. The WFR does not establish any conditions, including on gender, towards the use of RBP, including on grievance redress.
Monitoring and evaluation	GCF's	N/A	N/A
		Use of proceeds	No. The WFR does not establish any monitoring and accountability conditions towards the use of RBP.
Interim policy on prohibited practices	GCF's	Period of the results considered in the RFP	No. The WFR does not include explicit provisions on issues as undisclosed prohibited practices, including money-laundering and the financing of terrorism. Evidence on SOIs submitted to the UNFCCC suggests such issues are often considered under Cancun Safeguards in the context of Safeguard (b) Transparent and effective national forest governance structures, taking into account national legislation and sovereignty. Issues of double payment or financing for the same results achieved are covered under the WFR through the establishment of the Lima Info-Hub. ¹⁴⁵ The issue of avoiding double financing has been addressed in both RFPs when referring to national registries for keeping track of emissions reductions achieved and respective payments.
		Use of proceeds	No. The WFR does not establish any conditions, including prohibited activities, towards the use of RBP.

¹⁴⁵ REDD+ Web Platform, see <https://redd.unfccc.int/info-hub.html>.

REQUIREMENT / CRITERIA	POLICIES/ SAFEGUARDS APPLICABLE	TIME FRAME APPLICABLE	COHERENCE WITH THE WFR (SCOPE AND TIME FRAME)* IEU ASSESSMENT
Indigenous peoples policy	GCF's	Period of the results considered in the RFP	No. The WFR requires REDD+ activities that have been implemented in coherence with Cancun Safeguards to be reported through SOIs upon request for RBPs. Evidence on SOIs submitted to the UNFCCC suggest such issues are often considered under Cancun Safeguards in the context of Safeguard (c) Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples.
		Use of proceeds	No. The WFR does not establish any conditions, including prohibited activities, towards the use of RBP.

Note: * Considers only coherence with the WFR in terms of scope and time frame implications for the period of the results in the RFP. Coherence with the pass/fail approach to assessment has not been considered for this table.

14. **KIIs indicate that the introduction of the concept of “proceeds” for reinvesting RBPs from REDD+ activities achieved in the past, and that are fully measured, reported and verified, is inconsistent with the WFR.** While most stakeholders agree on the need for the GCF to safeguard its funding, there is broad recognition that the concept of “proceeds” opposes the ex post nature of REDD+ results-based financing. The GCF’s REDD+ RBPs pilot programme is imposing traditional ex ante safeguards requirements and procedures, which are not designed for or relevant to ex post investments such as those under REDD+ results-based financing. As described in the tables above, the second stage scorecard considers both the Cancun Safeguards and the GCF’s ESS standards and relevant policies. Moreover, the GCF’s ESS standards and relevant policies apply not only for the “use of proceeds” (activities financed by the use of proceeds) but also for activities undertaken in the past and which resulted in the emission reductions for which RBPs would be granted.
15. **The scorecard uses a pass/fail approach that contradicts the progressive nature with which countries are expected to move through REDD+ phases.** Stakeholders perceive the pass/fail approach for assessing both CNs and FPs under both stages of the RBPs pilot programme as a deterrent for increasing the number of countries that may be interested in the GCF pilot programme. In this way, the GCF fails to “play the key role in channelling adequate and predictable results-based finance in a fair and balanced manner to increase the number of countries that are in a position to obtain and receive payments for results-based actions.”¹⁴⁶
16. Additionally, the pass/fail assessment of safeguards does not capture progress in addressing and respecting safeguards throughout the implementation of REDD+ actions. This contravenes a key requirement of the Cancun Safeguards that countries should be assessed for their progressive and differentiated application of the standards that are consistent with national circumstances, including national legislation and institutional capacities. Indeed, other existing bilateral agreements and new initiatives that provide REDD+ RBPs focus solely on requiring countries to meet the Cancun Safeguards. They assess countries with specific indicators that take on board the stepwise process

¹⁴⁶ UNFCCC, Decision 9/CP.19, paragraph 5.

through which REDD countries have demonstrated improvement in meeting the Cancun Safeguards (see Annex 7). Previous advice to the GCF by Baker & McKenzie also highlighted that “the tension between recognizing and rewarding past results with the need to have some control over how the GCF proceeds are used to further the policies of the GCF”¹⁴⁷ is the key challenge with the REDD+ RBP modality.

2. INSIGHTS FROM EARLY IMPLEMENTATION OF THE PILOT PROGRAMME FOR REDD+ RBPs

17. The GCF's RBPs pilot programme had approved two FPs as of 8 July 2019. We examined these to understand the extent to which the safeguard provisions in the GCF pilot programme for REDD+ are coherent with the methodological guidance for REDD+ set out in the WFR.
18. **Funding Proposal FP100:** FP100, the first FP approved under the pilot programme, is in Brazil and supports the ex post payment for the subnational implementation of REDD+ in the Amazon biome, contributing to the Brazilian National REDD+ Strategy. The total volume of emission reductions submitted to the GCF's RBPs pilot programme is approximately 47 MtCO_{2e}, which represents just 2 per cent of total REDD+ results that Brazil achieved in the Amazon biome for the period 2014–2018. The key policies underpinning the Brazilian REDD+ implementation encompasses areas and sectors such as the protection of native vegetation, enhanced resilience, land tenure reform, sustainable land-use practices and law enforcement. For demonstrating compliance with the Cancun Safeguards, FP100 identifies legal and institutional arrangements in place at the national level. FP100 also highlights that a national interpretation of the Cancun Safeguards was conducted to contextualize safeguards to the country's national circumstances, including its national legislation and international commitments under multilateral agreements on relevant environmental and social issues. The proposal also contains information that refers to legal and institutional arrangements in place that will enable Brazil to address and respect the Cancun Safeguards. The proposals also lay out the plans for further improvements.
19. **There is little clarity on whether, or how, the GCF Secretariat analysed this qualitative information in a binary manner when assessing their adherence to Cancun Safeguards following the pass/fail approach of the pilot programme's scorecard.** Following the pilot programme's requirements, the use of proceeds will support readiness activities and also support strengthening institutional structures and procedures for sustained implementation of REDD+. The proposal also indicates that a comprehensive environmental and social impact assessment and ESMF would be further developed upon the project's inception.
20. **Funding Proposal FP110:** This FP refers to the national REDD+ strategy as a policy instrument that addresses underlying and direct economic and social drivers of forest loss and degradation in Ecuador. The total volume of emission reductions submitted to the GCF's RBPs pilot programme is approximately 4 MtCO_{2e}, which represents all the REDD+ results that Ecuador achieved at the national level in 2014 (while considering a baseline for the period 2014–2018). The FP outlines institutional reforms, including amendments in the national Constitution, the establishment of an ambitious national development programme and strengthening its forest governance.
21. For demonstrating compliance with the Cancun Safeguards, FP110 describes key legal and institutional arrangements that were in place and utilized during the period in which the REDD+

¹⁴⁷ Baker & McKenzie, “Legal analysis of template agreement on REDD+ results-based payment funding modality” (2019).

results were achieved, including those relevant to grievance redress. In addition to this, the FP further elaborates using qualitative information on stakeholder engagement processes.

22. As with FP100, **there is little clarity on whether or how such qualitative information was considered under the binary assessment** of the GCF Pilot Programme's scorecard. In terms of the use of proceeds, to demonstrate compliance with the GCF ESS and relevant policies, FP110 presented an analytical alignment study of relevant policies, laws and regulations, and similarly, a comprehensive ESMF is expected to be further developed upon the project's inception.

C. FINDINGS

23. **Current bilateral agreements and initiatives¹⁴⁸ are applying such methodological guidance successfully.** Countries accessing bilateral results-based finance, or finance through new initiatives, rely on their legal and administrative systems to meet their safeguard commitments. Bilateral and other initiatives not only require the submission of relevant documentation but also require third-party verification under their verification procedures. Some Funds do have additional requirements, however, and are consequently experiencing challenges. For instance, the Carbon Fund has faced considerable challenges because it requires compliance with Forest Carbon Partnership Facility safeguard requirements.
24. **In the GCF, lack of alignment with the WFR has led to significant challenges and push back from countries. This review identified that the GCF's pilot programme for REDD+ RBPs is not consistent with the WFR.** We note the following:
- The GCF is applying additional safeguard requirements beyond those set out by the WFR. The pilot programme requires that the Cancun Safeguards are met, but additionally requires that the GCF ESS standards and policies are also addressed.
 - The GCF's pass/fail approach under the scorecard is not consistent with the WFR. When assessing Cancun's safeguard requirements, such a pass/fail approach entails assessing compliance or non-compliance in a binary manner at one point in time, which fails to capture the progressive nature through which countries are expected to implement and report on safeguards, including reflections on challenges and areas for improvement. Building from early experience and best practices from REDD countries, addressing and respecting Cancun Safeguards should be assessed in terms of their progressive and differentiated application according to national circumstances, including national legislation and institutional capacities. Experiences from the REDD+ financing sector can provide valuable best practices, including focusing on evaluating compliance with specific indicators that are meant to provide the stepwise process through which REDD countries can demonstrate continued improvement in meeting the Cancun Safeguards.
 - The introduction of the concept "use of proceeds" contradicts the WFR's concept of RBP. The GCF REDD+ RBPs pilot programme sets out that the "proceeds" are to be reinvested through AEs. Accordingly, provisions and procedures applicable to the use of proceeds following the GCF business model for ex ante financing entail features that differ from the methodological guidance under the WFR for REDD+, particularly those concerning safeguards, and thus pose an additional burden in delivering REDD+ results-based actions and accessing RBPs.
 - Co-benefits are not adequately assessed and monitored. REDD+ is expected to achieve co-benefits/non-carbon benefits, and Cancun Safeguard (e) explicitly requires that REDD+ actions

¹⁴⁸ An overview of relevant bilateral agreements and other initiatives providing REDD+ RBPs can be found in Annex 7.

are “used to enhance other social and environmental benefits”. Our review identified that the pass/fail approach under the scorecard does not capture or evaluate these efforts. Moreover, all indicators in the PMFs related to REDD+ result areas consist of the removal or reduction of CO₂ emissions, which would also fail to monitor and report on these.

D. CONCLUSIONS AND RECOMMENDATIONS

25. **Evaluate the REDD+ pilot programme to ensure its full alignment with the WFR.** All entities financing REDD+ implementation are expected to apply the methodological guidance agreed under the WFR, to improve the effectiveness and coordination of results-based finance, and the GCF is requested to do so.¹⁴⁹ The introduction of the concept “use of proceeds” has resulted in additional ex ante and ex post safeguards requirements for countries.
26. **Begin to examine how to draw on lessons learned and best practices to enhance coordination and complementarity with other initiatives in the provision of REDD+ RBPs finance.** This includes assessing compliance through specific indicators that guide on – and speak to – stepwise processes through which REDD+ countries can demonstrate continued improvement in meeting the Cancun Safeguards according to their autonomy and sovereignty.
27. **Clarify the concept of co-benefits and strengthen their identification, monitoring and reporting.** In evaluating and strengthening this pilot programme, consider clarifying the concept of co-benefits in the context of safeguards, following the recognition that non-carbon benefits play a key role for the long-term sustainability of REDD+ implementation and that providing information on their nature, scale and importance constitutes a means to integrate non-carbon benefits into the implementation of REDD+ activities. Indicators in the PMFs related to REDD+ should be expanded to cover co-benefits.
28. All entities financing REDD+ implementation are expected to apply the methodological guidance agreed under the COP, including the provisions contained in the WFR, to improve the effectiveness and coordination of results-based finance. As an agency expected to play a key role in climate financing, the GCF is expected to do so too. To ensure alignment with the WFR and respect the context and sovereignty of countries, no additional safeguard requirements beyond those in the Cancun Safeguards should be set out.

¹⁴⁹ UNFCCC Decision 9/CP.19.

Chapter VIII. CONCLUSIONS AND RECOMMENDATIONS

1. This chapter presents the overall conclusions from the evaluation according to the key evaluation questions (see Chapter I) and the findings in Chapter I to Chapter I. Additionally, this chapter presents recommendations outlined in Chapter I to Chapter I. Recommendations are organized into “urgent” and “two years”. Urgent recommendations are presented for the GCF Board to consider immediately and address within a year, as they constitute an important gap and urgent challenge for the Fund. Recommendations marked “two years” are for the Board to consider in the relative long term because they will require consultations and further assessments.

A. KEY CONCLUSIONS

2. The GCF is expected to contribute to a paradigm shift for climate-resilient and low-emissions development pathways. To achieve this, it is expected that the GCF will be guided by the principles and provisions of the UNFCCC. In doing so, it is also expected that the GCF will seek a balance between mitigation and adaptation while promoting environmental, social, economic and other development co-benefits, and taking a gender-sensitive approach.
3. In providing these conclusions and recommendations, the evaluation highlights that the GCF must be guided by the principles and provisions of the UNFCCC, which differ from those underpinning traditional development finance. As an operating entity of the Financial Mechanism of the UNFCCC, the **GCF has a unique role and responsibility in the world:** it has the mandate to focus on global climate change objectives. To achieve this, it is imperative that the GCF develops and incorporates fit-for-purpose ESS standards, policies, procedures and guidelines that respond not only to the GCF’s unique mandate but also to developing countries’ climate needs and development priorities. This process must also be aligned with the principle of country ownership that expects that the Fund will empower developing countries to undertake transformational planning and programming.
4. **Given the direct climate change mandate, the GCF has the opportunity** to go beyond the safeguards approach to “do no harm”, by incorporating environmental and social considerations that provide countries with the opportunity to identify and improve environmental and social outcomes and **ensure environmental and social co-benefits as an intended consequence of development.** This integration of environmental and social sustainability must be incorporated into the GCF’s ESP as a key guiding principle. Given this lens, we review and summarize key conclusions from chapters.

1. ARE THE GCF’S ESS STANDARDS AND POLICIES RELEVANT? ARE THEY INTERNATIONAL BEST PRACTICE?

5. **Conclusion 1a: The currently used interim ESS standards** (i.e. the IFC Performance Standards) **are not fit for purpose for the GCF.** The GCF serves the Paris Agreement as an operating entity of its Financial Mechanism and must, therefore, be primarily guided by principles and provisions of the Convention that are not applicable to traditional development finance. In this regard, **new and improved social and environmental performance and the delivery of co-benefits underpin the mandate and objectives of the GCF, and of its ESP, and must be a key consideration for the scope and focus of the GCF ESS and associated procedures and organizational structures.** The

interim ESS standards are not aligned with the GCF's mandate and ESP, in that they **do not focus on generating and integrating** positive, measurable environmental and social impacts and **instead focus on assessing, mitigating and managing** environmental and social risks and adverse environmental and social impacts. The evaluation team identified a range of gaps in the GCF's ESS with respect to the provisions of the Paris Agreement, and in relation to other peer climate funds' ESS and policies, noting the GCF places insufficient focus on climate overall and on human rights, gender and equity concerns. The GCF has not adopted any guidance on how to screen and assess potential adverse effects on human rights, either for itself or for AEs.

6. **Conclusion 1b: The current ESMS does not focus on “how” to achieve positive social and environmental outcomes in the design, approval and monitoring stages of funded projects/programmes**, unlike other climate funds. The Fund's investment criterion for sustainable development potential is inconsistently applied and used across the Secretariat and is insufficient for the GCF to adequately generate positive, measurable social and environmental improvements in accordance with its unique climate mandate. The GCF's ESP recognizes the integration of social and environmental sustainability as one of its principles, yet it does not determine how GCF projects and programmes will address climate, social and environmental outcomes in the entire project cycle (from project preparation to project monitoring/reporting), including in the screening, environmental and social assessment, and due diligence processes it sets out. Moreover, the GCF does not require funded projects to report on social and environmental outcomes or co-benefits, nor does it determine how they are to do so, and it has less stringent reporting requirements on safeguard implementation than other climate funds.
7. **Conclusion 1c: The GCF process for developing and adopting its own new ESS must consider the challenge for DAEs with regard to ESS.** A key challenge for efficiently accessing financial resources by developing countries through DAEs is demonstrating conformity with ESS standards.¹⁵⁰ Addressing this challenge will be essential for the GCF if it is to meet Article 9 of the Paris Agreement.¹⁵¹
8. **In this context, the evaluation team finds that the GCF's interim ESS standards and current ESMS are not fit for the overall climate mandate of the GCF and have important gaps in comparison to other international practices that must be addressed.**

2. DO GCF PROCESSES ASSESS AE CAPACITY TO ENSURE THE EFFECTIVE IMPLEMENTATION OF THE ESS?

9. **Conclusion 2a: Although the current accreditation approach has different checklist requirements for the three ESS categories, it is not adequate to address challenges for DAEs regarding ESS.** DAEs have widely varying levels of ESS capacity, and many find it onerous to demonstrate the required track record for the GCF's (interim) ESS. The evaluation also highlights concerns related to the effectiveness and efficiency of the current accreditation process (as has also been highlighted previously, notably by the FPR).

¹⁵⁰ UNFCCC, Standing Committee on Finance, Forum on Climate Finance Architecture (2018). Reports available at <https://unfccc.int/topics/climate-finance/meetings--events/scf-forum>. See also I. Masullo, G. Larsen, L. Brown, and L. Dougherty-Choux, “‘Direct Access’ to Climate Finance: Lessons Learned by National Institutions”, Working Paper (Washington, D.C., World Resources Institute, 2015). Available at <http://www.wri.org/publication/direct-access>

¹⁵¹ Article 9 of the Paris Agreement states that the institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans. Article 9 available at <https://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf#page=28>.

10. While the current accreditation process includes an assessment of AEs' ESS policies, standards and institutional processes, it is a desk review exercise and does not assess the AEs' capacities to **implement** ESS policies and **monitor** ESS considerations for compliance and impact. Moreover, it also does not examine the ability of agencies to support and foster environmental and social performance and realize co-benefits during project implementation. With the GCF focusing on increasing the number of investments to be implemented through DAEs, it is more than likely that these concerns will be exacerbated, with potential reputational implications.
11. **Conclusion 2b:** The RPSP seems to contribute in important ways to strengthening the ESS capacities (including ESS and gender policies, standards and institutional mechanisms) of entities but fails to adequately monitor and report on these.
12. **Conclusion 2c:** The PPF, as the only project preparation support facility of the GCF, does not promote the inclusion of co-benefit identification and planning. Furthermore, processing times for the PPF are currently too long to effectively and efficiently assist the IAEs or DAEs in this aspect.
13. **Conclusion 2d:** NDAs and DAEs or candidate DAEs are not well informed about access to RPSP support and the PPF concerning ESS considerations.

3. TO WHAT EXTENT HAVE THE GCF ESS BEEN EFFICIENTLY AND EFFECTIVELY INCORPORATED IN PROJECT DESIGN AND APPROVAL?

14. **Conclusion 3a:** The GCF Secretariat's ESS/Sustainability team, despite its comparatively small staffing numbers, conducts systematic due diligence of the ESS risk component of FPs as part of the Secretariat Review. However, this **due diligence does not include an assessment of potential environmental and social co-benefits (over and above risk mitigation)**. The ESS/Sustainability team was relocated to the ORMC in 2019. The evaluation team believes that the (re)positioning of the ESS/Sustainability team under ORMC underlines the strong focus on compliance and risk management, rather than fostering and assessing environmental and social performance. In many cases, the ESS/Sustainability team does identify issues during the due diligence process that need to be analysed further, better reported or remedied. Many of these issues are addressed and resolved through iterative interaction by the ESS/Sustainability team with the AE, but the portfolio analysis shows that 36 per cent of approved FPs were in need of ESS covenants and conditions, in response to a wide range of issues arising from the ESS element of the Secretariat review. Notably, these conditions do not specifically focus on ensuring environmental and social performance and/or co-benefits. It is also not clear which other units/divisions in the Secretariat view it as their responsibility to ensure, include, monitor and realize environmental and social performance and co-benefits in GCF investments.
15. **Conclusion 3b:** **AEs identify environmental and social co-benefits in almost all FPs. However, the process for identifying co-benefits is not systematic, and there is no guidance for identifying or reporting these.** The evaluation team identified inconsistencies in the understanding of the investment criterion for sustainable development potential among iTAP members, Secretariat staff and other stakeholders, as well as inconsistencies in the understanding of the extent to which it is used to identify and rate potential positive outcomes and co-benefits. It is also clear that applying this and other criteria immediately prior to the submission of the FP to the Board has limited scope for inserting an active focus on environmental and social co-benefits during project design and preparation, with implications for future reporting and monitoring.
16. **Conclusion 3c:** **The analysis of CSO active observer comments at the time of submission of FPs to the Board demonstrates that a variety of ESS issues are raised by them but that there is no**

procedure for follow-up by the Secretariat or AE. It is also clear that the low impact of CSO observer comments on Board decisions has caused some AEs to disregard CSO comments.

17. **Conclusion 3d: A majority of ESS conditions that are attached to FAAs are covenants that do not specify a time frame for their fulfilment. The MAF does not clarify roles and responsibilities regarding follow-up and monitoring.** Currently, these covenants are supposed to be tracked via APRs. But there are no procedures, tools and systems in place to do this, and the GCF is unlikely to be able to ensure adequate implementation or monitoring.
18. **Conclusion 3e: Despite recent progress, the PPF still takes a long time until the first disbursement.** Due to its lack of strategic focus, it is not clear what value the facility is currently adding to the GCF business model. The PPF may prove to be an important resource for DAEs that may not have the financial capacity to conduct the required studies to bring an FP for Board consideration. However, several areas must be addressed to improve the efficiency and effectiveness of the PPF if it is to realize its overall value added.
19. **Conclusion 3f:** The GCF's investment criterion for sustainable development potential needs to be better defined and should include equity as a consideration.
20. **Overall, the evaluation team finds that the GCF does not focus on "how" to achieve (and monitor) social and environmental outcomes in the design and approval of funded projects/programmes.**

4. IS THE MONITORING AND REPORTING ON ESS OF GCF-FUNDED PROJECTS EFFECTIVE?

21. **Conclusion 4a: The GCF has not operationalized its MAF systems and tools, and it relies solely on AEs' self-reporting through APRs.** However, AE self-reporting is not sufficient, and without the MAF's systems and tools in place, the GCF does not have any oversight over ESS compliance, nor adequate information to enable it to take necessary remedial measures. Additionally, and connected to this, the evaluation team identified limited awareness of the monitoring and accountability responsibilities within the Secretariat, with no one specifically tasked to oversee the MAF's tools and ensure that systems are adequately set up and implemented.
22. **Conclusion 4b: The GCF has very limited oversight over AEs' compliance with funded activity ESS covenants.** Non-compliance and non-credible reporting on these covenant-type conditions represent a potential reputational risk for the GCF. Unless AEs report on non-compliance or performance issues themselves, the GCF is unable to take remedial measures.
23. **Conclusion 4c: The GCF is not currently able to assess the environmental and social performance of funded activities. One reason for this is that the RMF does not require reporting on impact and outcome-level ESS and co-benefits.** Even though the RMF is required to include measurable, transparent, effective and efficient indicators for ESS and gender, these are yet to be specified. Additionally, the current APR templates only require reporting on ESS inputs and outputs, not on impacts and outcomes, related to environmental and social performance and co-benefits.
24. **Conclusion 4d: There is limited awareness of available GRMs at all levels (AE, project and the GCF's IRM).** With a growing portfolio and challenges related to grievances, adequate awareness-raising and sensibilization about available GRMs, and how they will complement or interact with AEs' GRMs, and a fit-for-purpose case management system are a necessity to ensure efficient and effective linkage and management.

25. **Overall the evaluation team finds that the GCF does not adequately monitor ESS compliance or the social and environmental outcomes and co-benefits of funded projects/programmes.**

5. SPECIAL STUDY: REDD+

26. **Conclusion 5a: Currently, the GCF's REDD+ pilot programme is not consistent with the WFR.** Entities financing REDD+ implementation are required to apply methodological guidance agreed under the COP, in order to improve the effectiveness and coordination of REDD+ results-based finance. The GCF, in a key role to channel climate finance, is requested by the UNFCCC to develop and apply such methodological guidance. This is not currently witnessed in the GCF's pilot programme. **Currently, the GCF is applying additional safeguard requirements beyond those set out by the WFR.** Safeguards for REDD+ RBPs under COP methodological guidance should be applied in consideration of national capacities, sovereignty and legislation, and reported in an ex post manner. As per the WFR, no additional safeguard or associated requirements should be required/imposed: the GCF's practices contravene this.
27. **Conclusion 5b: The GCF's pass/fail approach under the scorecard is not consistent with the WFR.** When assessing the Cancun Safeguards requirements, such a pass/fail approach entails assessing compliance or non-compliance in a binary manner, which fails to capture the progressive nature through which countries are expected to implement and report on safeguards, including reflections on challenges and areas for improvement. Additionally, the GCF does not assess or monitor the achievement of co-benefits in REDD+ and ignores a key attribute of the WFR.
28. **Conclusion 5c: The introduction of the concept "use of proceeds" contradicts the WFR's concept of RBP.** Safeguard provisions and procedures applicable to the use of proceeds in accordance with the GCF business model for ex ante financing entail key features that differ from the methodological guidance under the WFR for REDD+, and thus pose an additional burden to delivering REDD+ results-based actions and accessing RBPs.
29. **Conclusion 5d:** The GCF does not monitor or assess the achievement of co-benefits in REDD+.
30. **Overall the evaluation team finds that the GCF REDD+ pilot programme is not fully consistent with the WFR and thus poses an additional burden in delivering REDD+ results-based actions and accessing RBPs.**

B. RECOMMENDATIONS

31. Overall, the evaluation offers many recommendations so that the **GCF, in accordance with its unique mandate, may develop and incorporate fit-for-its-mandate ESS standards, policies, procedures and organizational capacity to respond to developing country climate needs and priorities.** As noted above, recommendations marked "urgent" are presented for the Board to consider immediately, and it is recommended that they are addressed within a year, as they constitute an important gap and urgent challenge for the Fund. Recommendations marked "two years" are for the Board to consider in the relative long term because they require consultations and further assessments. Detailed recommendations can be found in Chapter I to Chapter I.

1. COHERENCE OF ESS AND ESMS

32. **Set 1: Urgent recommendations**
- a) The GCF's planned revision of its interim ESS standards needs to **address identified gaps and customize its new, own ESS to the climate mandate of the GCF.** The planned revision and

development may align to the extent possible with other peer climate funds, since this is likely to simplify the process of accessing climate finance. However, this harmonization should not ignore the special climate value of the GCF's mandate.

- b) The GCF's planned revision of its interim ESS standards and the development of its ESMS must **ensure environmental and social performance and co-benefits are integrated with its overall system**. They must also set up guidance, reporting and monitoring systems for not just environmental and social risks but also performance and co-benefits.
 - c) The development of the **ESMS must develop or update specific and tailored guidance** on newly adopted ESS; clarify how the ESP principles are integrated in screenings, environmental and social assessments, and due diligence processes; provide guidance for human rights due diligence; include a stakeholder engagement policy; include specific and tailored guidance for the implementation of the gender policy; and provide for monitoring and reporting tools, including a monitoring policy for ESS, environmental and social performance and co-benefits.
 - d) The GCF must address that some developing country Parties are not able to conform to the GCF's interim ESS standards. This will amplify when the GCF develops its own safeguards. The GCF's ESS/Sustainability team must actively seek to learn from other agencies' experience with direct access and **strengthen and focus the RPSP to help build capacities on ESS and the PPF to help with ESS considerations during the project preparation**.
 - e) The GCF must strengthen and implement processes to identify co-benefits and ensure they are monitored and reported upon with rigour and credibility. It should also adopt KPIs to guide projects on impact reporting regarding ESS.
 - f) The Fund must develop **clear guidance** on investment criteria, especially **sustainable development potential**, including adopting KPIs to guide projects in their impact reporting.
33. **Set 1: Recommendations for within two years**
- a) Set up operationalized mechanisms to ensure complementarity with other agencies, such as the GEF and AF, at the strategic, national and activity levels. In developing the ESMS, the GCF should discuss opportunities for complementarity with the GEF and AF, including setting up a more coordinated and holistic RPSP support on ESS, and a system to share information across climate funds about project approvals, high-achieving or problematic projects and AEs, projects recommended for additional and/or future financing, or harmonizing applications and processes.

2. THE ESMS IN THE GCF'S PROCESS AND OPERATIONS

34. **Set 2: Urgent recommendations**
- a) The GCF should consider developing a **strategy for accreditation** that aligns with the GCF's overall strategy. Specifically, **reaccreditation** should start to consider the extent to which entities have planned and realized co-benefits and climate, environmental and social performance in their overall portfolios.
 - b) The GCF should ensure that the accreditation process has a robust assessment, which is not just desk-based, of the AE's **institutional capacity to monitor and report on the implementation of ESS management measures and environmental and social performance**.
35. **Set 2: Recommendations for within two years**
- a) **Increase the support available to candidate DAEs** before and after accreditation to address ESS requirements through the RPSP.

- b) **Track and report the RPSP support for ESS capacity** for candidate DAEs that is currently reflected in the RPSP completion reports.
- c) Consider adopting a **strategy for the PPF** to ensure its effectiveness in preparing climate-relevant and innovative FPs. The GCF Secretariat **should also improve the processing times of the PPF** and consider re-examining the institutional location the PPF team.

3. ESMS IN PROJECT DESIGN AND APPROVAL

36. Set 3: *Urgent* recommendations

- a) Strengthen the process for identifying **environmental and social performance and “co-benefits”** and ensure they are robustly assessed and reported during the due diligence process by the Secretariat. In developing the ESMS, the GCF should (a) prepare guidance for AEs and for the Secretariat on how co-benefits may be identified for the proposed project/programme; (b) prepare guidance as to how estimated co-benefits can be quantified, using impact indicators; and (c) prepare guidance as to how to integrate co-benefit monitoring with ESS monitoring.
- b) The GCF’s investment criterion for **sustainable development potential** needs to be better defined and **should include equity** as a consideration.
- c) The GCF should ensure that **tools and systems requested in the MAF are set up** and able to capture all information that allows follow-up on FAA conditions. Specifically, the GCF should **operationalize the portfolio management system** (also see recommendations in Chapter I).

37. Set 3: Recommendations for within *two years*

- a) Establish procedures for addressing **CSO active observer comments** on FPs related to ESS. There should be policies and procedures for engaging CSOs at the Board level and at the project level, and all relevant FPs’ documentation should be made public.
- b) **Strengthen and focus the PPF** to help build and support a process for identifying environmental and social performance and co-benefits during the project preparation. The GCF should establish dedicated technical assistance with the aim of facilitating access, enhancing innovation and achieving impact at scale.

4. ESMS EFFECTIVENESS IN PROJECT IMPLEMENTATION AND LIKELY RESULTS

38. Set 4: *Urgent* recommendations

- a) **The RMF must be updated urgently**, to incorporate reporting on environmental and social impact and outcome-level indicators. Refined social, environmental and economic co-benefit indicators for Fund-level impacts or for measuring project/programme outcomes are currently missing and should provide a better sense of how project-specific outcome and impact indicators will be aggregated to provide meaningful measures of the Fund’s performance and likely results.
- b) The Secretariat should consider options for the **operationalization of the MAF**. Further alignment and/or integration with the RMF is necessary to ensure adequate reporting on ESS and gender considerations.
- c) The Secretariat needs to set up an **early warning system** as part of the MAF to assist in the assessment of risks related to the project (“project risk flags”) and risks related to the overall performance of the AE (“AE risk flags”) and must clarify the roles and responsibilities for

ensuring, monitoring and reporting environmental and social performance and co-benefits within the Secretariat.

- d) Any portfolio management system set up to operationalize the MAF should include information from accreditation of an AE through to recent project reports and interim/final evaluations, as well as follow-up FAA conditions, and performance on environmental and social benefits.

39. **Set 4: Recommendations for within *two years***

- a) **Improve the APR template** so that the AE can report reliably on environmental and social impacts and outcomes and co-benefits.
- b) Require AEs to **carry out awareness-raising on project-level GRMs** throughout the life cycle of the project and strengthen awareness-raising activities with regard to the IRM.
- c) Ensure the Fund can carry out **ad hoc checks that take into account risk flags** of its early warning system and a portfolio sampling.

5. SPECIAL STUDY: REDD+

40. **Set 5: Recommendations for within *two years***

- a) Take steps to **evaluate the REDD+ pilot programme** with a focus on examining its effectiveness and alignment with the WFR, while drawing on lessons learned from other initiatives. This evaluation should include assessing compliance through specific indicators that provide guidance on and speak to stepwise processes through which REDD+ countries have demonstrated continued improvement in meeting the Cancun Safeguards according to their autonomy and sovereignty.
- b) Provide **detailed specifications on the Cancun Safeguards** and draw on lessons learned from the ex ante application of Cancun Safeguards on the GCF portfolio. These should aim to inform safeguards compliance for the “use of proceeds”, without posing an additional burden to countries.
- c) **Clarify the concept of co-benefits** and strengthen guidance for their identification, monitoring and reporting when supporting REDD+ initiatives, recognizing that non-carbon benefits play a key role in the long-term sustainability of REDD+ implementation. Indicators in the performance measurement frameworks related to REDD+ should be expanded to cover co-benefits.

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- DECISION B.12/25: Project Preparation Facility; in GCF/B.12/32.
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- DECISION B.12/35: Comprehensive information disclosure policy of the Fund.
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- DECISION B.13/20: Simplified processes for approval of proposals for certain activities, in particular, small-scale activities.
- DECISION B.13/21: Project Preparation Facility; in GCF/B.13/32/Rev.01.
- DECISION B.13/33: Development of Country Ownership Guidelines.
- DECISION B.13/34: Deferral of consideration of further development of indicators in the performance measurement frameworks.
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- DECISION B.17/21: Adoption of guidelines for enhanced country ownership and country driven.
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ANNEXES

ANNEX 1. LIST OF INTERVIEWEES

COUNTRY MISSIONS

NAME	AFFILIATION	COUNTRY
Ainur Kopabayeva	Ministry of Ecology, Geology and Natural Resources	Kazakhstan
Ainur Sospanova	Ministry of Energy	Kazakhstan
Dmitry Halubouski	European Bank for Reconstruction and Development	Kazakhstan
Elnura Koshikbayeva	Agrarian Credit Corporation JSC	Kazakhstan
Elodie Loppe	European Bank for Reconstruction and Development	Kazakhstan
Firuz Ibrohimov	United Nations Development Programme	Kazakhstan
Jan-Willem van de Ven	European Bank for Reconstruction and Development	Kazakhstan
Kunayim Shalakhayeva	Agrarian Credit Corporation JSC	Kazakhstan
Marat Yelibayev	European Bank for Reconstruction and Development	Kazakhstan
Masho Godziashvili	European Bank for Reconstruction and Development	Kazakhstan
Maxut Kassenov	Baiterek National Managing Holding JSC	Kazakhstan
Olzhas Agabekov	Ministry of Ecology, Geology and Natural Resources	Kazakhstan
Raushan Syzdykova	DAMU Entrepreneurship Development Fund	Kazakhstan
Rkhimzhan Ibdiminov	Agrarian Credit Corporation JSC	Kazakhstan
Saule Sabieva	Ministry of Ecology, Geology, and Natural Resources	Kazakhstan
Saulet Sakenov	United Nations Development Programme	Kazakhstan
Yerlan Zhumabayev	United Nations Development Programme	Kazakhstan
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INDEPENDENT EVALUATION OF THE GCF'S ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND THE ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM
FINAL REPORT - Annexes

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PPF KIIS AND FGDS

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ANNEX 2. PORTFOLIO ANALYSIS / SUMMARY OF STATISTICS

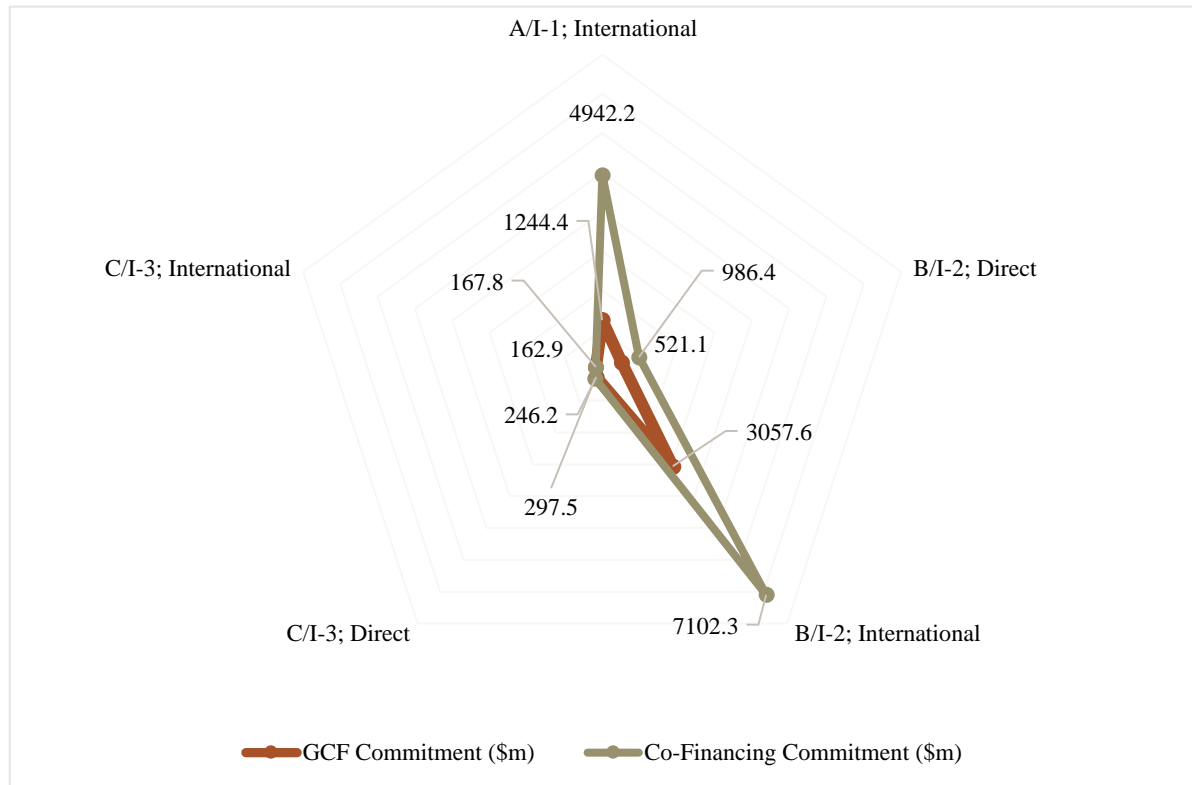


Figure A - 1. GCF portfolio by project ESS category

Table A - 1. Approved project by ESS category

ESS CATEGORY	# OF PROJECTS	GCF COMMITTED AMOUNT (MILLION USD)
Category A/I-1	13	1,244.41
Category B/I-2	74	3,578.72
Category C/I-3	24	409.07
Total	111	5,232.20

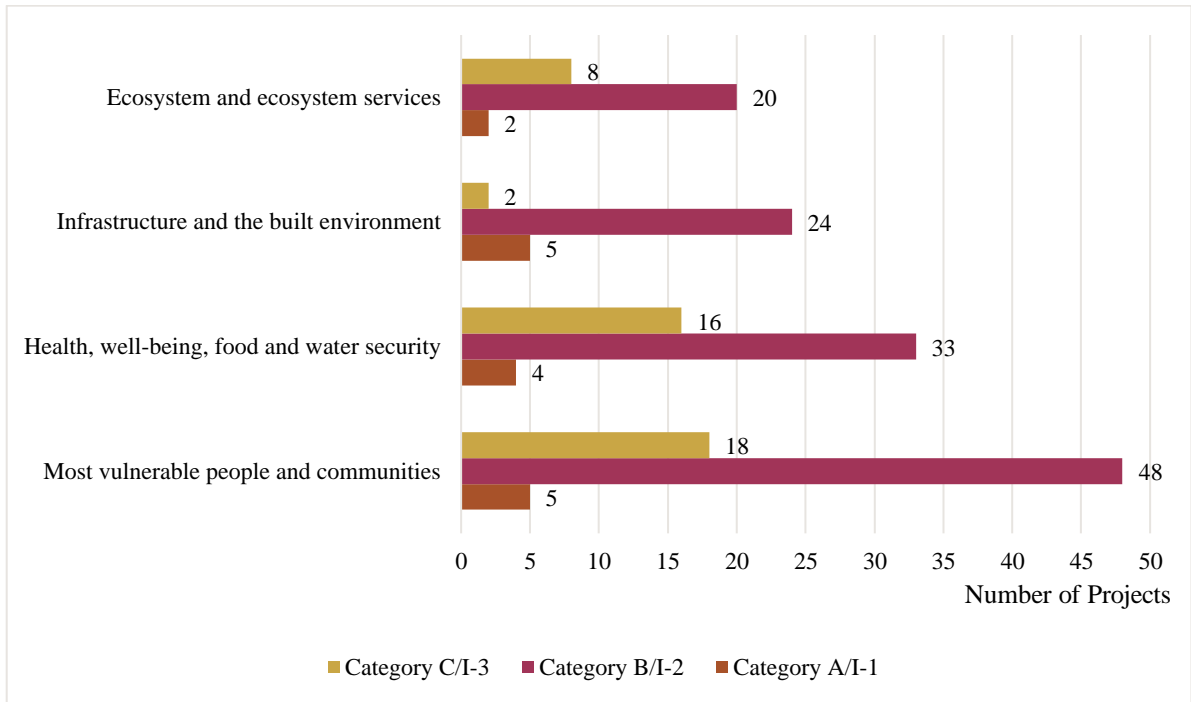


Figure A - 2. Adaptation result areas by project ESS category

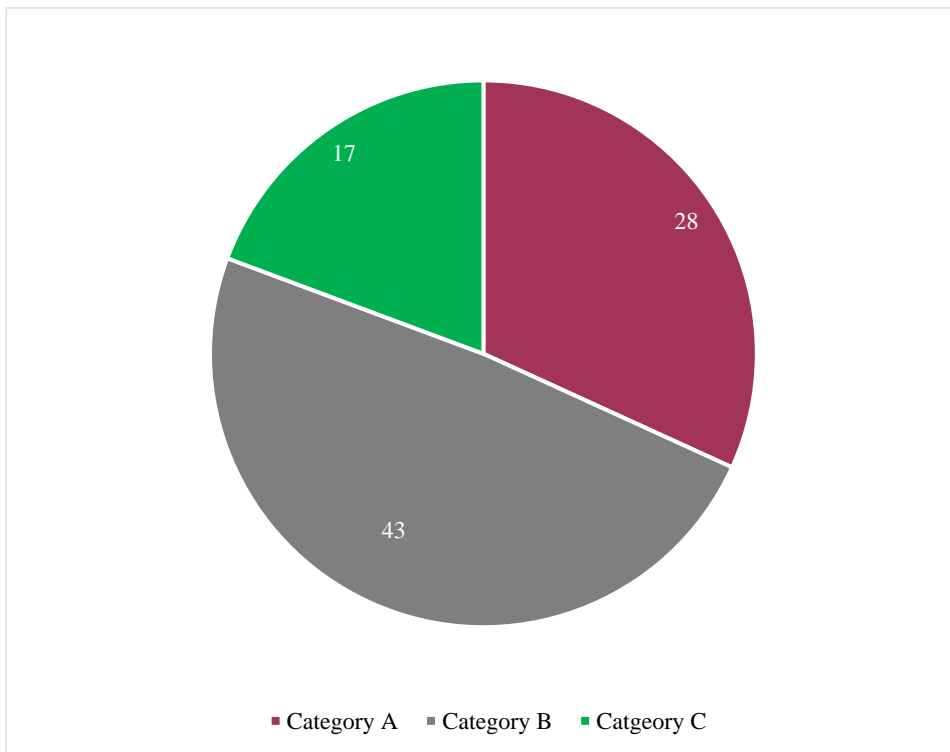


Figure A - 3. Accredited entities ESS category

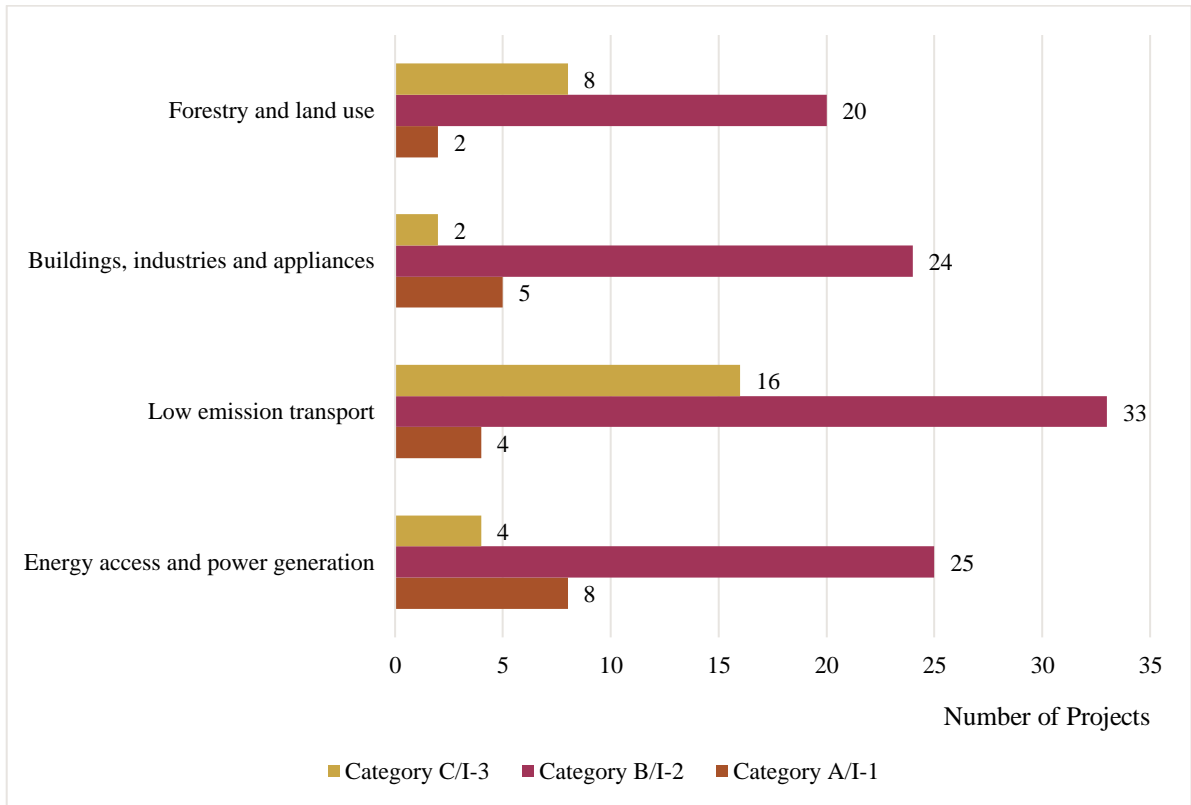
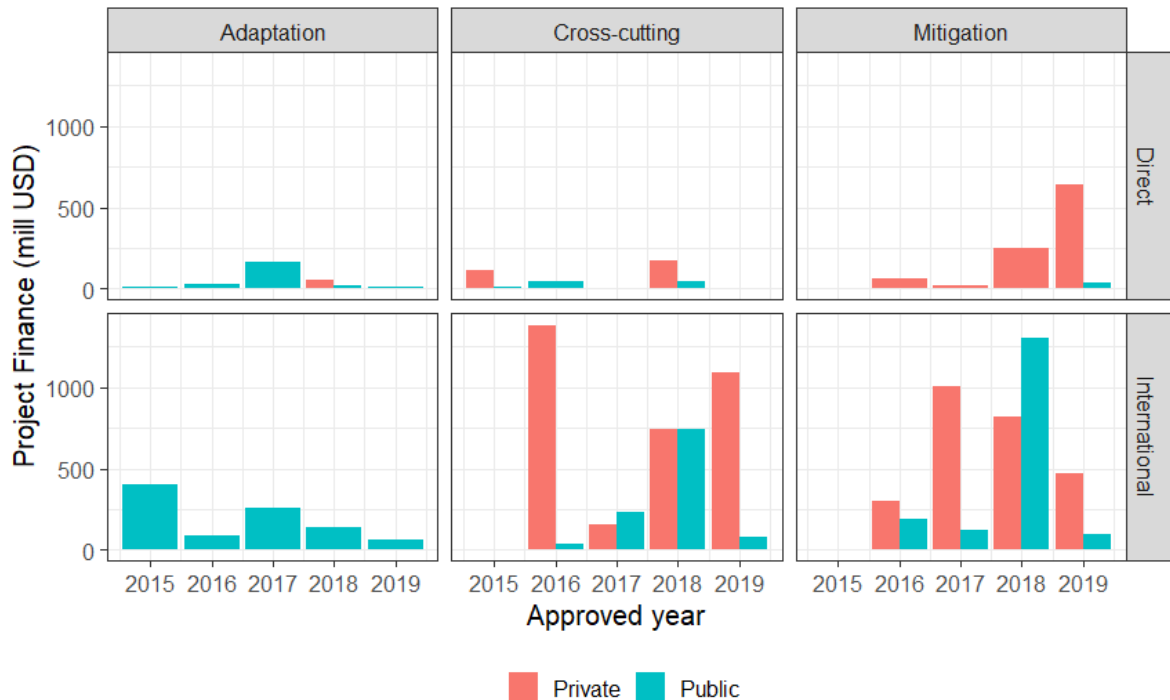


Figure A - 4. Mitigation result areas by project ESS category



As of July 2019, GCF approved 111 FPs of which 25 are PSF & 86 are DMA projects
 Source: IEU DataLab, July 2019

Figure A - 5. Comparison of PSF and DMA portfolio by type of AE and theme of the project

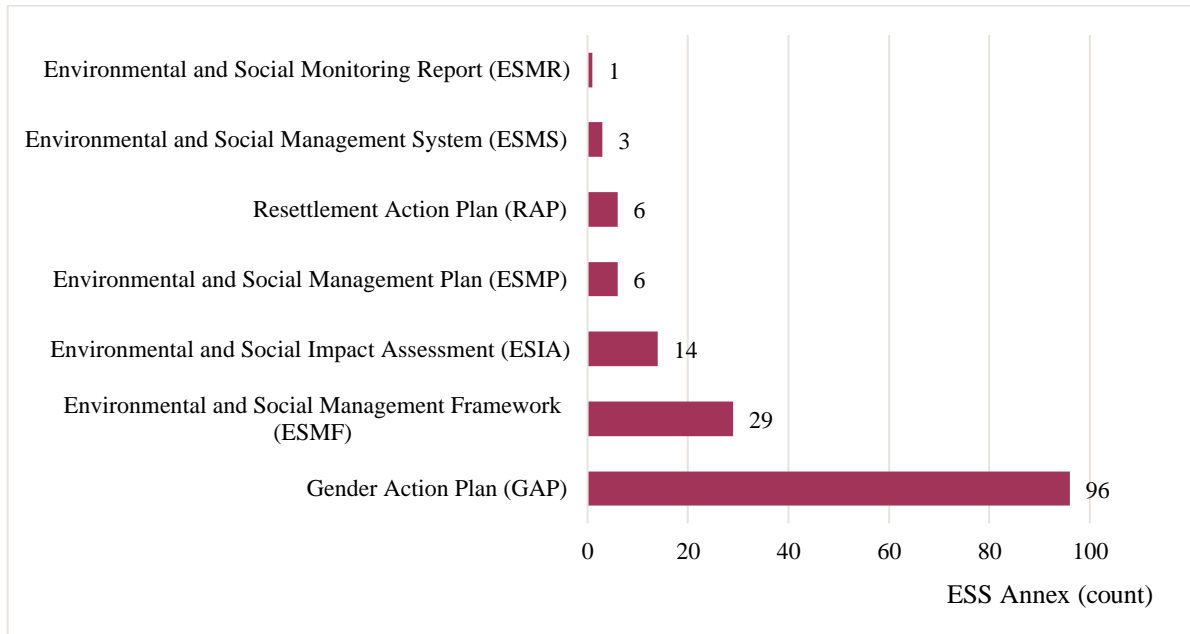


Figure A - 6. Attached ESS related annexes to the funding proposal package for approval

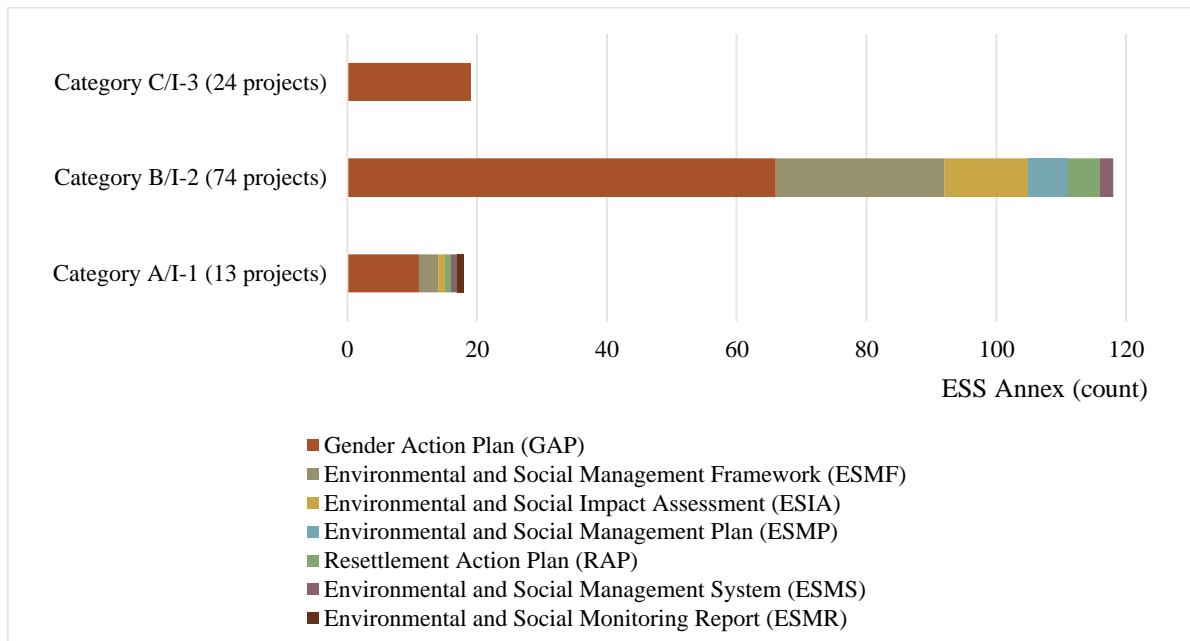


Figure A - 7. ESS annexes by project ESS category

Figure A-7 shows gender sensitivity according to focus. Bringing women into leadership roles in decision making is predominant in adaptation projects while improving access to finance for women is more apparent in mitigation projects.

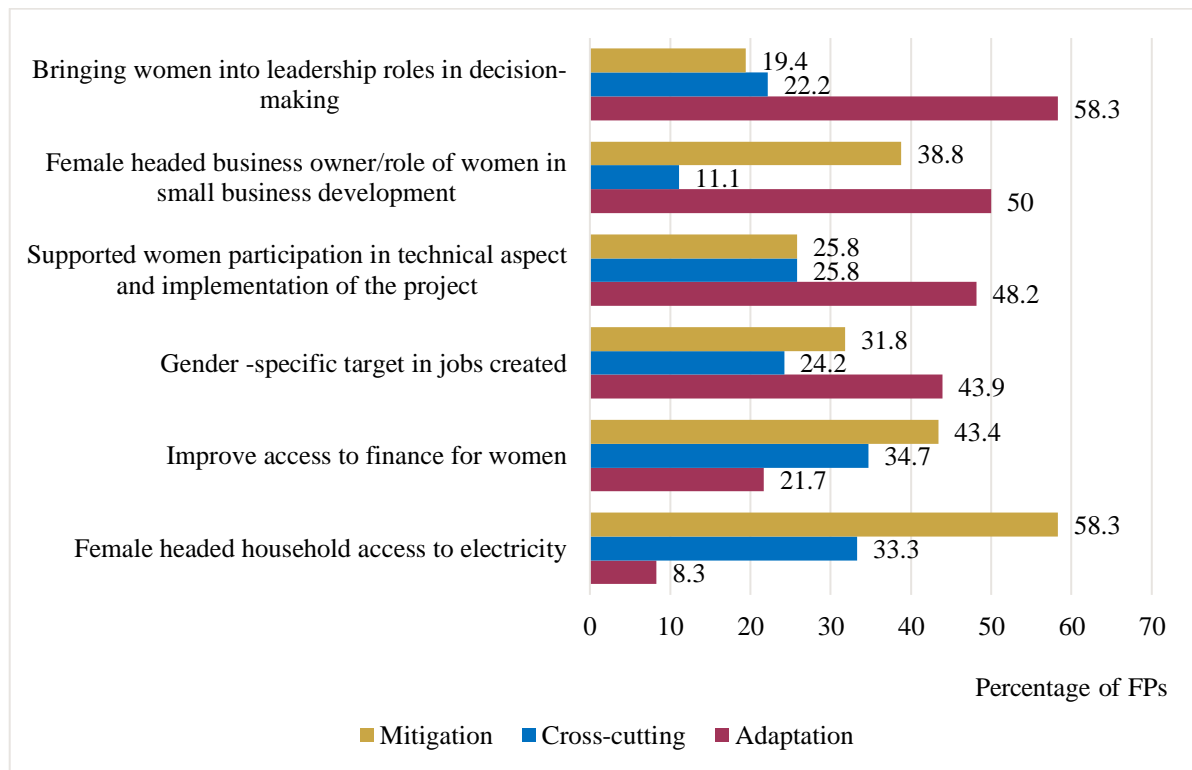


Figure A - 8. Planned gender-sensitive approaches by theme of the project

Figure A-8 highlights the intensity of each co-benefit in funding proposals. The environmental and economic co-benefits have low intensity, 21.8% of the proposals have no gender co-benefits, and 35.5% of the social co-benefits have a medium intensity.

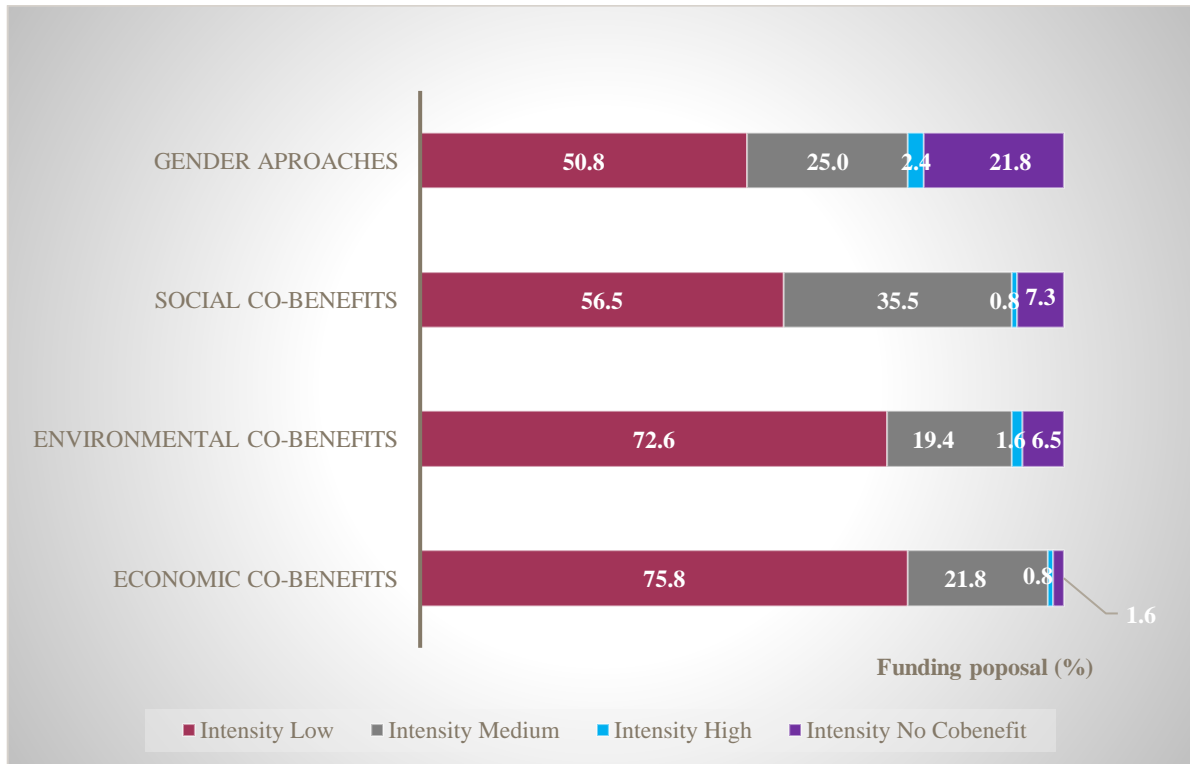


Figure A - 9. Intensity of co-benefits in the GCF's investment

The expected risk level for each risk factor in the funding proposal can be calculated using the mapping model below by referring to the level of impact and the probability of occurrence of the risk factor.

Table A - 2. Mapping model for expected risk level in the funding proposal

		RISK PROBABILITY		
		Low	Medium	High
LEVEL OF IMPACT	Low	Low	Medium	High
	Medium	Low	Low-Medium	Medium
	High	Low-Medium	Medium	Medium-High

Given the expected risk level for each risk factor, the maximum expected environmental and social risk level of the funding proposal could be defined as the maximum expected risk level found among the funding proposal's risk factors whose risk category is stated as "Social and environmental". This maximum expected environmental and social risk level could then be compared with the project's E&S risk category, to examine the consistency within the funding proposal's risk assessment in ESS.

Table A - 3. Contingency table between the maximum E&S expected risk level from the project ESS risk category

		MAXIMUM E&S EXPECTED RISK LEVEL						Total
		No information	Low	Low-Medium	Medium	Medium-High	High	
ESS CATEGORY	No INFORMATION	0	0	0	0	0	0	0
	CATEGORY C / I-3	5	8	2	6	2	1	24
	CATEGORY B / I-2	19	10	17	18	9	1	74
	CATEGORY A / I-1	4	1	0	4	3	1	13
	TOTAL	28	19	19	28	14	3	111

The comparison between the maximum E&S expected risk level from the risk factors and the project E&S risk category from IPMS is shown in the contingency table above. It is noted that, of 13 projects that were rated as Category A or I-1 by the Secretariat, only 4 of them (~31%) have Medium-High or High for the maximum E&S expected risk level. The Kendall rank correlation coefficient is computed to be 0.2095, with the p-value of 0.0309. Hence, there exists a very weak positive correlation between the two variables.

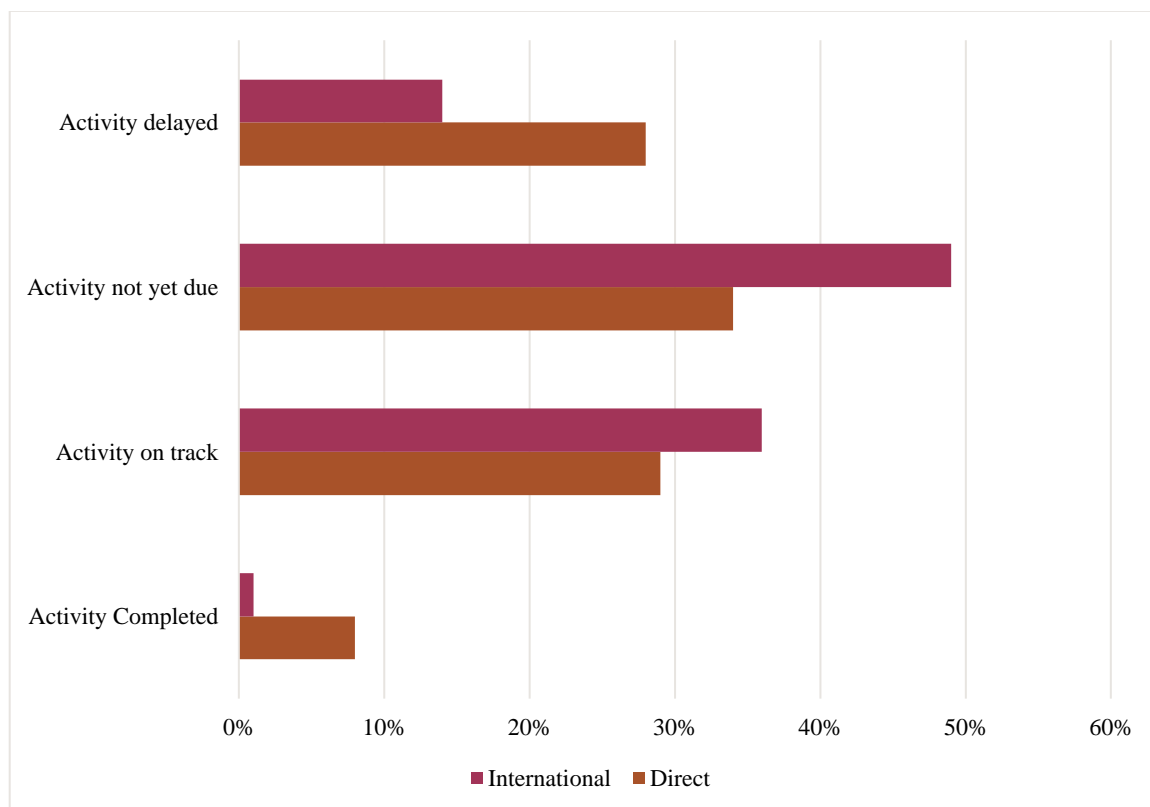


Figure A - 10. Self-reported on implementation status in the APR by type of AE

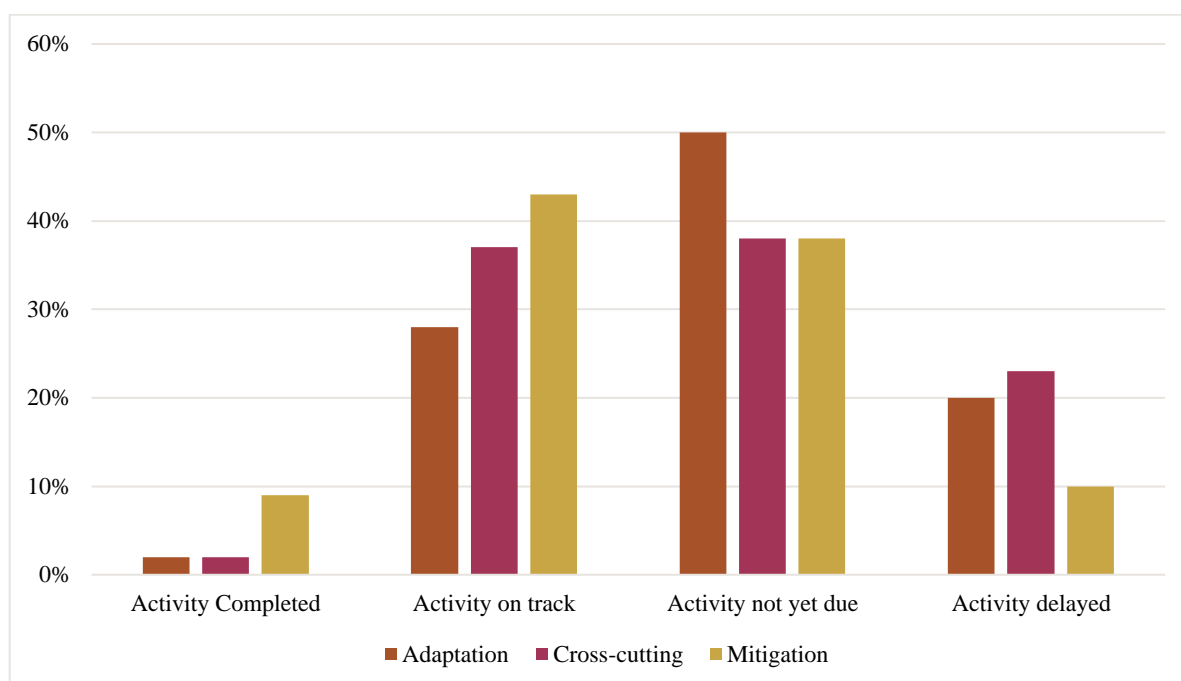


Figure A - 11. Self-reported on implementation status in the APR by project theme

Table A - 4. Expected outcomes of RPSP

EXPECTED OUTCOMES	NO. OF GRANTS	NO. OF COUNTRIES	TOTAL DISBURSEMENT* (MILLION USD)
14.1 Effective coordination mechanism	148	112	3.68
14.2 No objection procedure	102	90	2.29
14.3 Bilateral agreements on privileges and immunities	63	56	1.17
14.4 Monitoring, oversight and streamline of climate finance flows	114	88	2.41
14.5 Stakeholder engaged in consultative processes	156	115	4.10
14.6 Country programmes, including adaptation priorities, developed	144	108	3.91
14.7 Gender consideration	100	83	2.22
14.8 Annual participatory review	70	61	1.39
14.9 Direct access entities nomination	75	62	1.73
14.10 Accreditation of direct access entities	71	58	1.86
14.11 Direct access entity's annual work programme	33	30	0.67
14.12 Enhanced direct access (EDA)	30	28	0.60
14.13 Structured dialogue	63	55	1.57
14.14 Country programme/Concept note development, including on adaptation	118	85	4.01

EXPECTED OUTCOMES	NO. OF GRANTS	NO. OF COUNTRIES	TOTAL DISBURSEMENT* (MILLION USD)
14.15 Project preparation support, including for adaptation projects/projects programmes	87	67	2.21
14.16 Funding proposal development, including for adaptation projects/programmes	65	51	2.01
14.17 Private sector engagement	116	89	2.72
14.18 Crowding-in private sector investments	58	49	1.55
14.19 Funding proposals developed by the private sector, including adaptation projects/programmes	30	26	0.63
14.20 Private sector engagement in the GCF Private Sector Facility (PSF) call for proposals	26	24	0.49

Note: The table covers approved RPSP grants up to 8 July 2019. It does not include RPSP grants supporting NAPs, grants for technical assistance by PwC to help nominated regional, national or sub-national entities achieve accreditation as DAEs and grants for workshops and structured dialogues.

*The total disbursement for each expected outcome was calculated, dividing the disbursement amount of the grant by the number of sub-outcomes pointed out in the proposal.

The 20 expected outcomes are not mutually exclusive.

Source: IEU DataLab

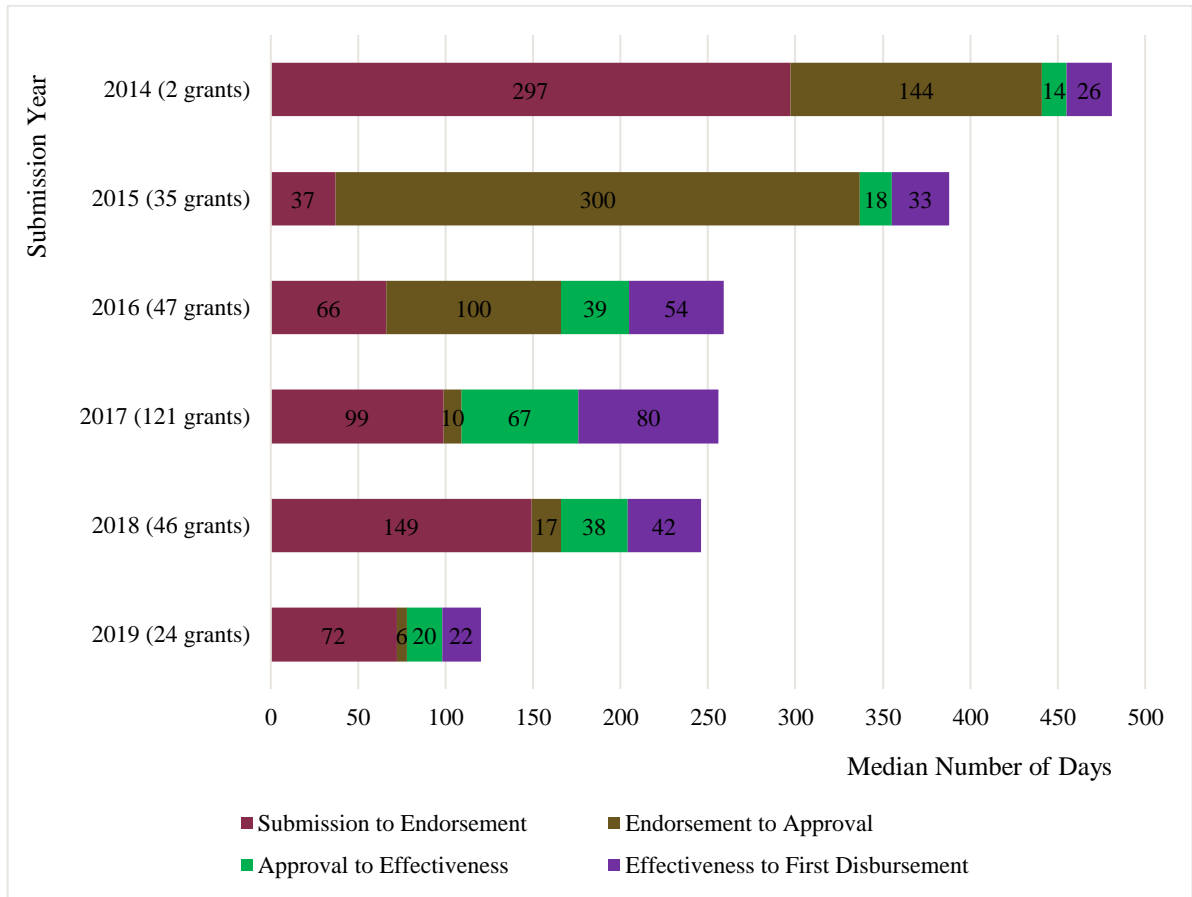


Figure A - 12. Median processing time for RPSP grants by submission year

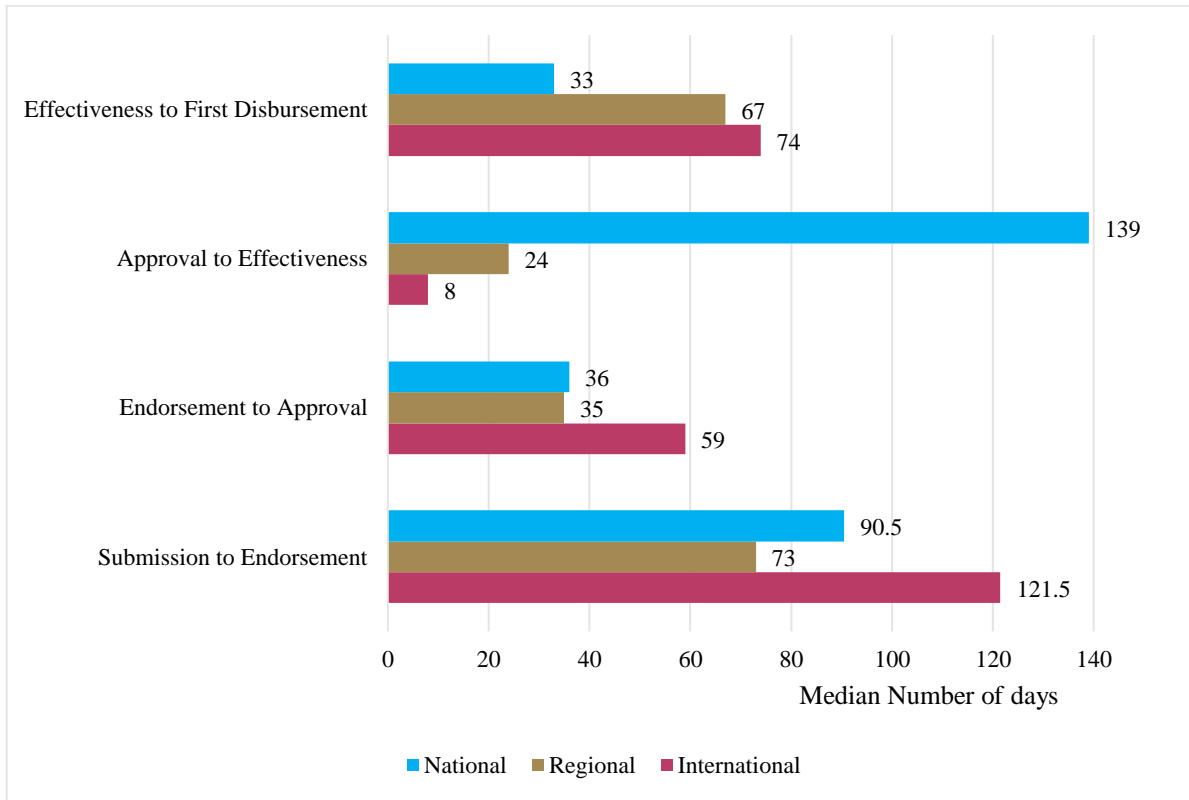


Figure A - 13. Median processing time of the RPSG grants by Type of delivery partner

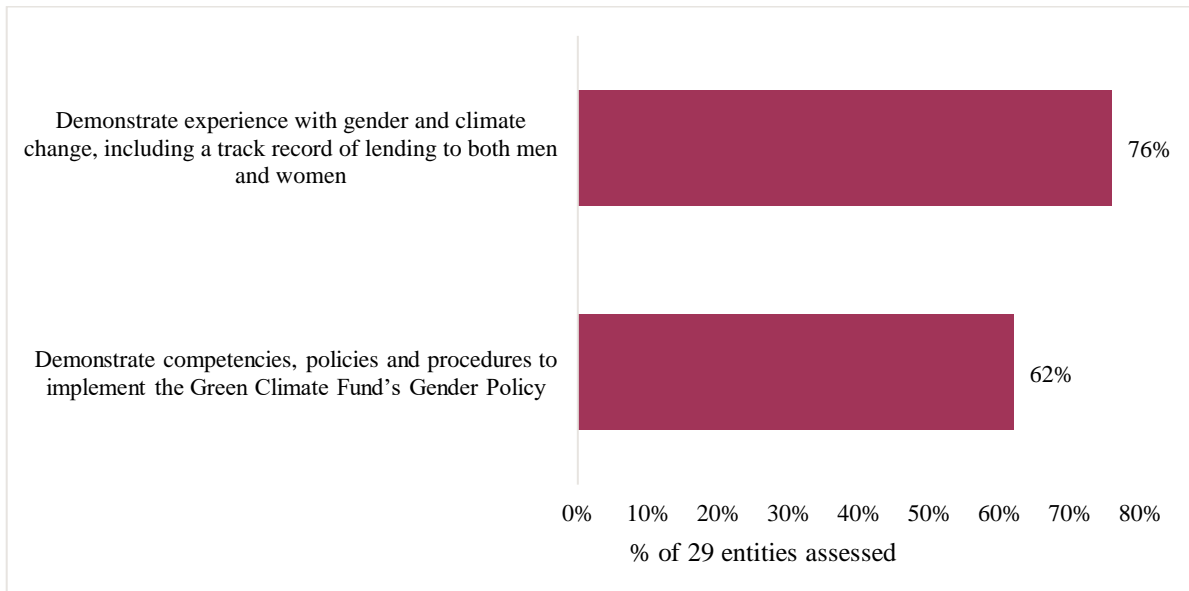
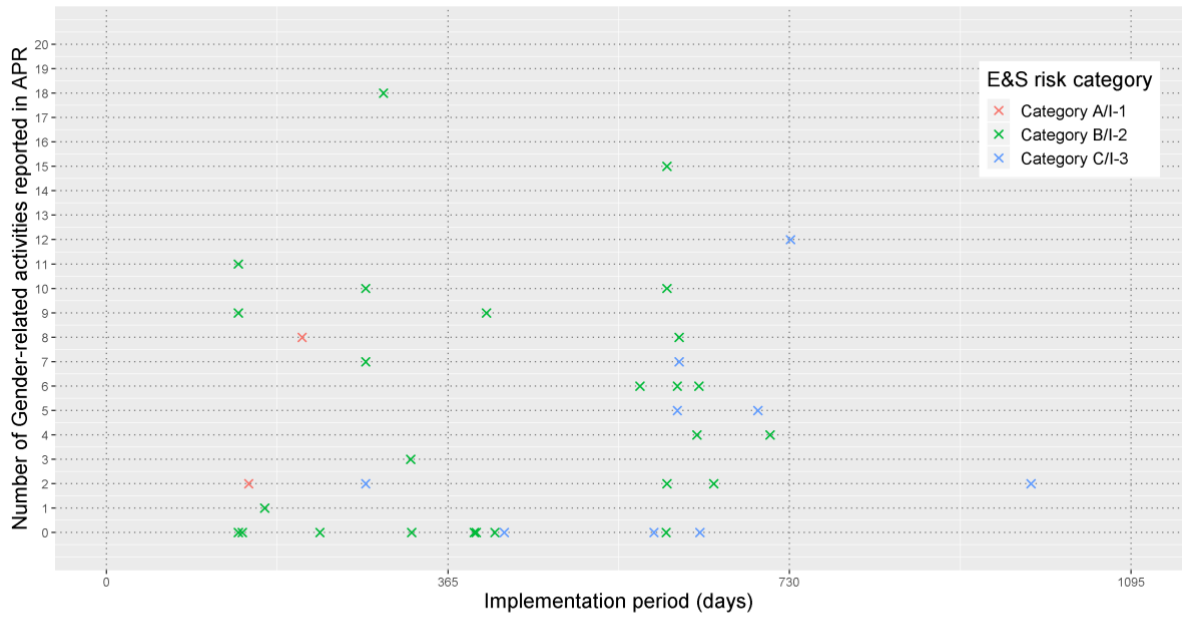
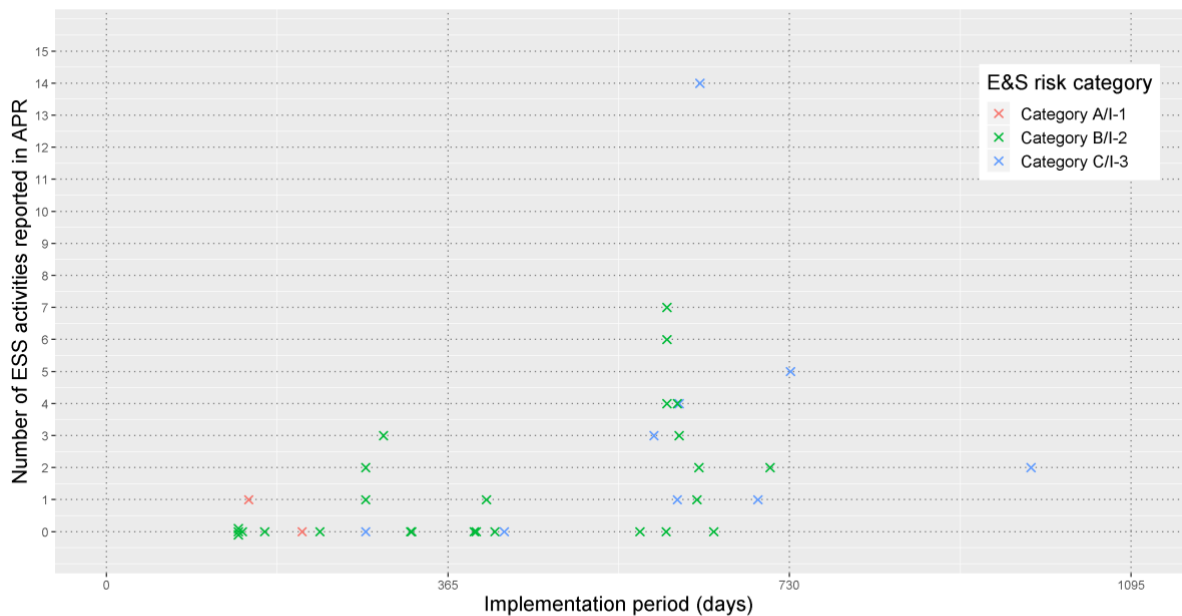


Figure A - 14. Gender gaps identified during PwC gap assessment



Source: APRs, as of 8 July 2019.
Total number of FPs with available documents: 37
Note 1: The implementation period (days) concerns the period from the project start date to the last submission date of APR.

Figure A - 15. Number of gender-related activities reported in APR vs Number of project days



Source: APRs, as of 8 July 2019.
Total number of FPs with available documents: 37
Note 1: The implementation period concerns the number of days from the project start date to the last submission date of APR.

Figure A - 16. Number of ESS activities reported in APR vs Number of project days

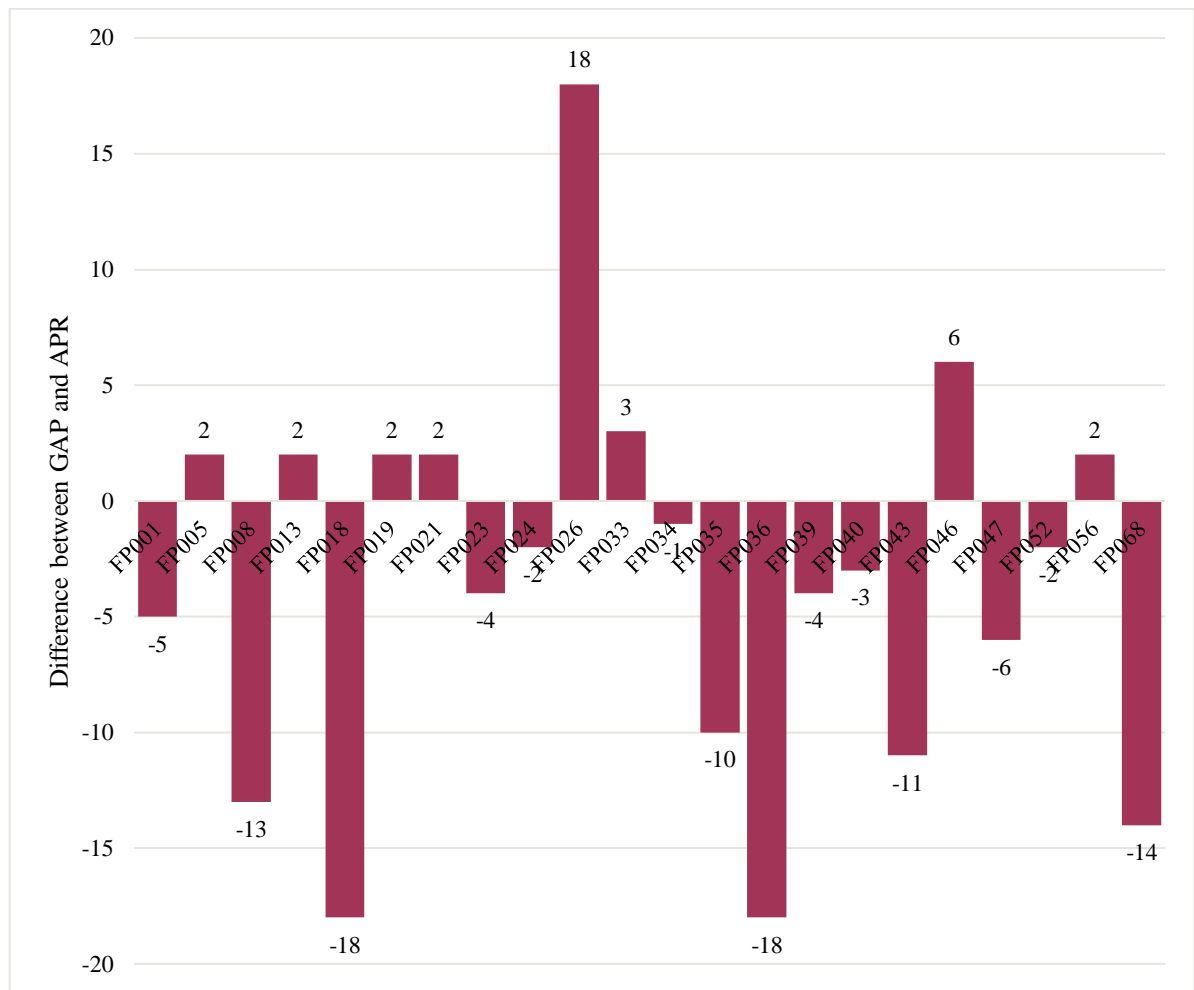


Figure A - 17. The difference between the number of activities reported in the APRs and the number of activities planned in the GAP

Note: Four projects have neither GAPs nor self-reporting on GAP activities in the APR, and 11 projects have an equal number of activities planned and accurately reflected what was reported in the APRs.

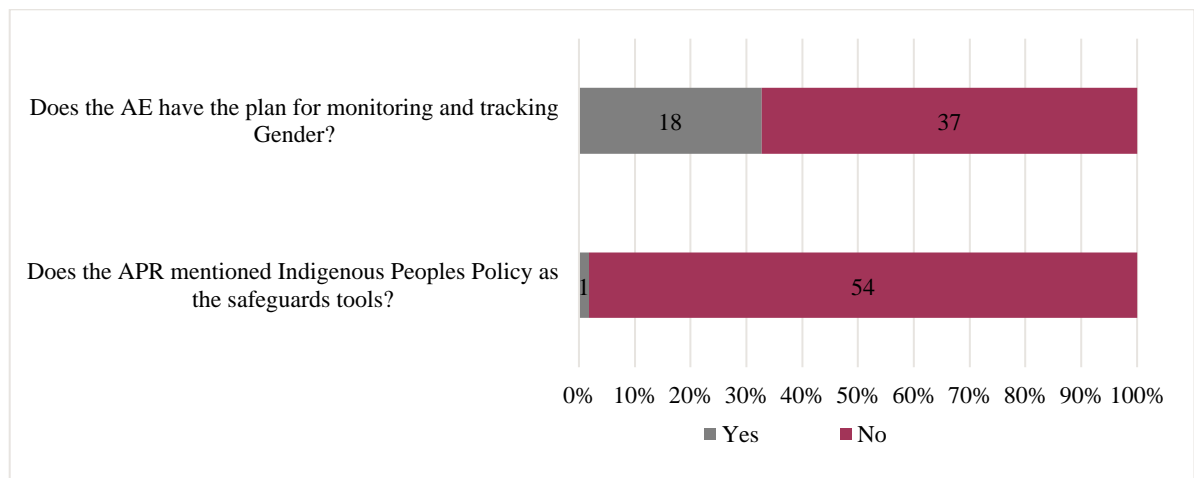


Figure A - 18. Self-reported planned activities on gender elements (55 APR)

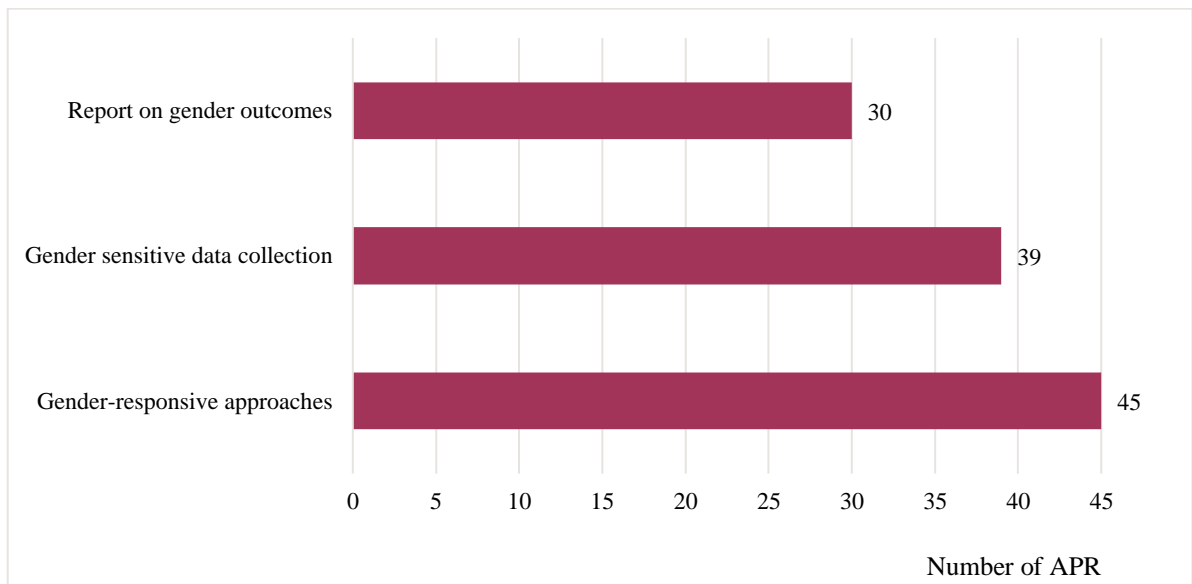


Figure A - 19. Self-reported on gender tools used during project implementation

ANNEX 3. PERCEPTION SURVEY OF ESS AND ESMS

The online survey was sent to the IEU mailing list, which contains the broader GCF network, and it was also published online through the IEU’s website. It was open for responses from 29 June 2019 to 28 August 2019. The survey responses were also collected on a hard copy during the GCF’s Global Programming Conference in Songdo, during 19-23 August 2019, however, due to the risk of duplication of the respondent all data collected using hard copy questionnaire were omitted in the analysis. A total of 211 responses were received through online submissions and 47 in hard copy. A total of 258 respondents reacted to the survey. However, only 211 respondents were considered for further analysis.

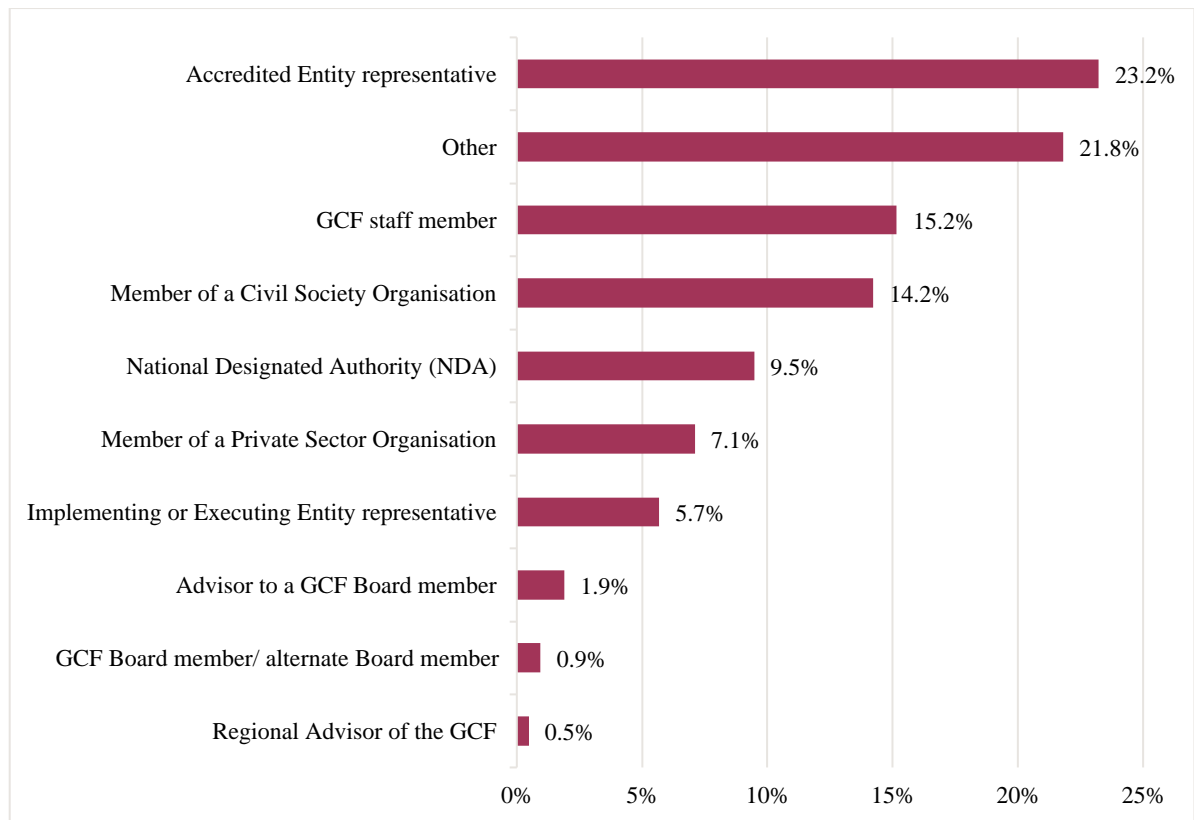


Figure A - 20. Please choose the group that best describes you

Note: Total number of respondents = 211

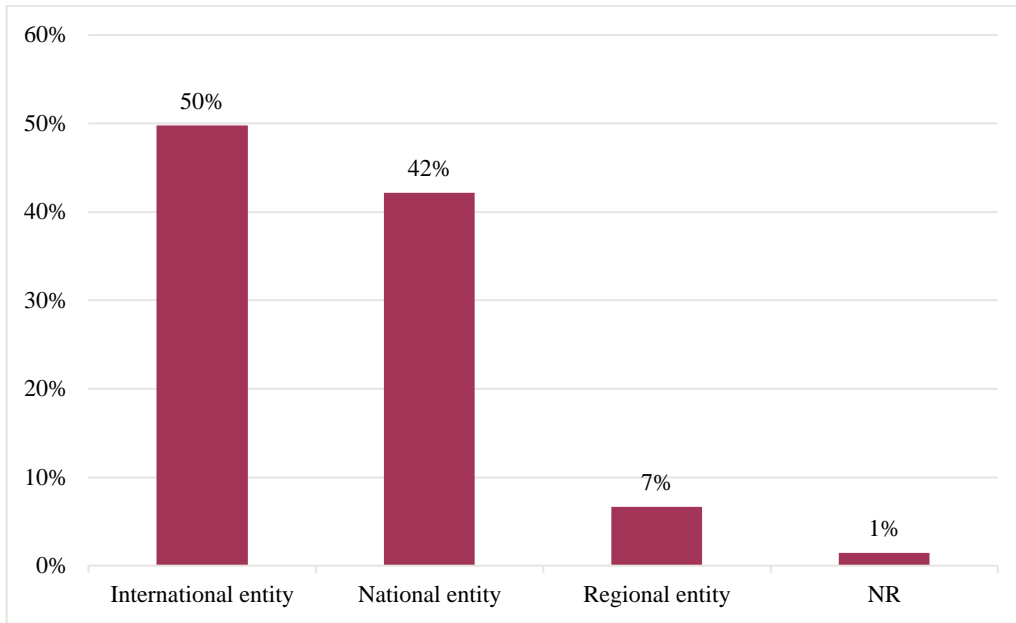


Figure A - 21. Which of the following best describes your organization?

Note: Non respondents = 3
Total number of respondents = 211

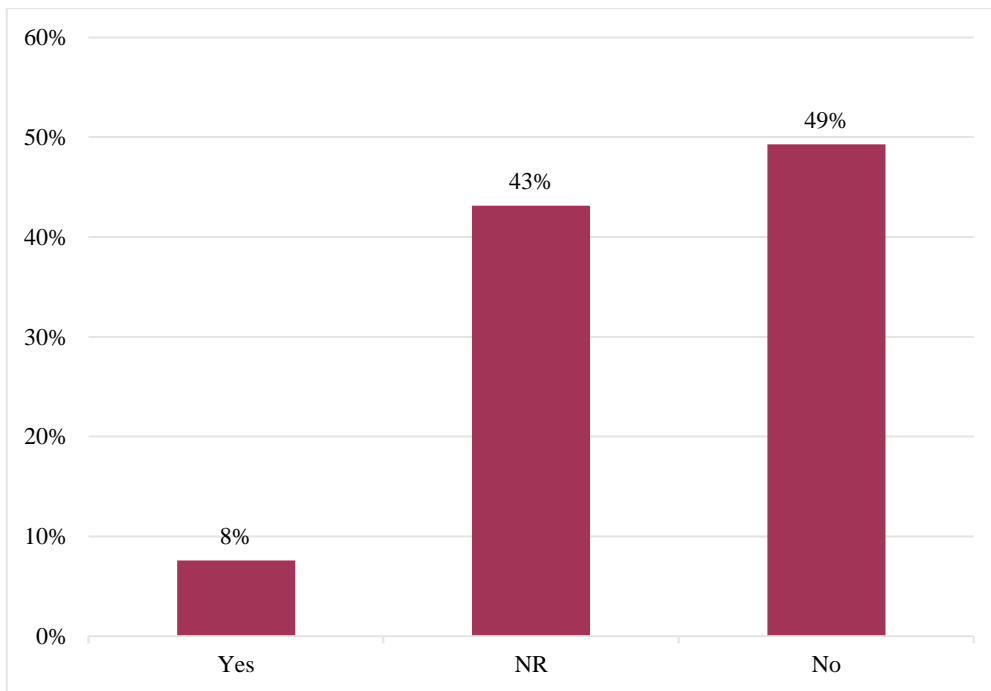


Figure A - 22. Are you currently in the process for accreditation to GCF?

Note: Non respondents = 91
Total number of respondents = 211

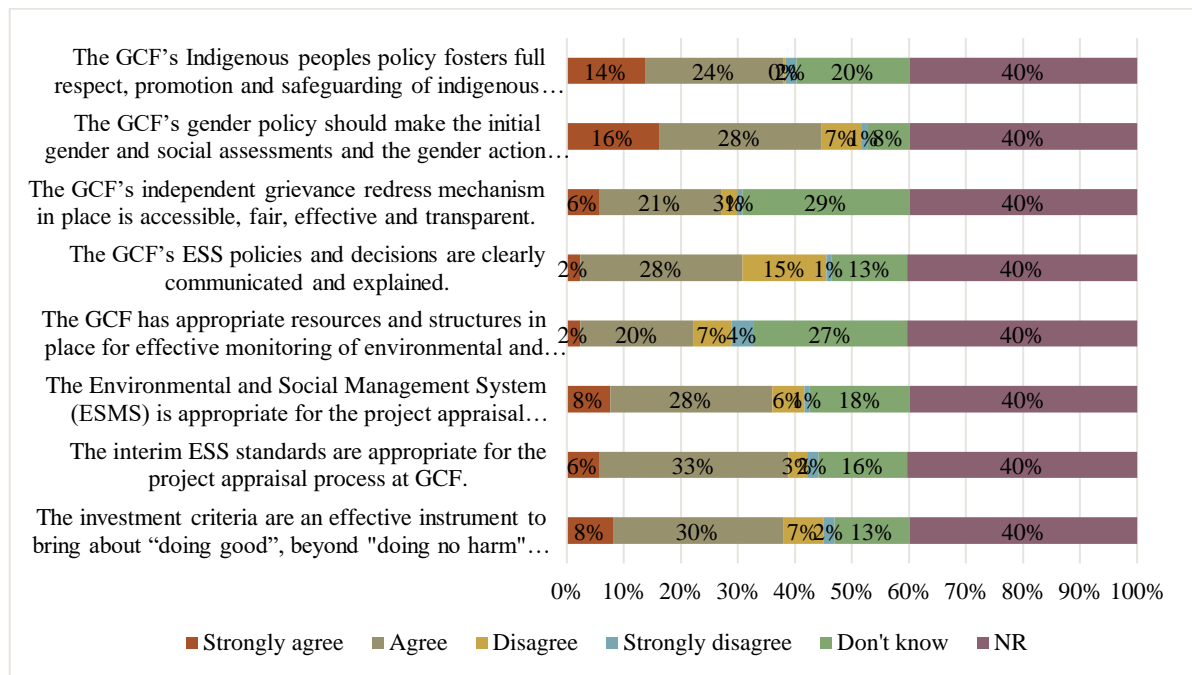


Figure A - 23. To what extent do you agree with the following statements regarding ESS?

Note: Non respondents = 84
Total number of respondents = 211

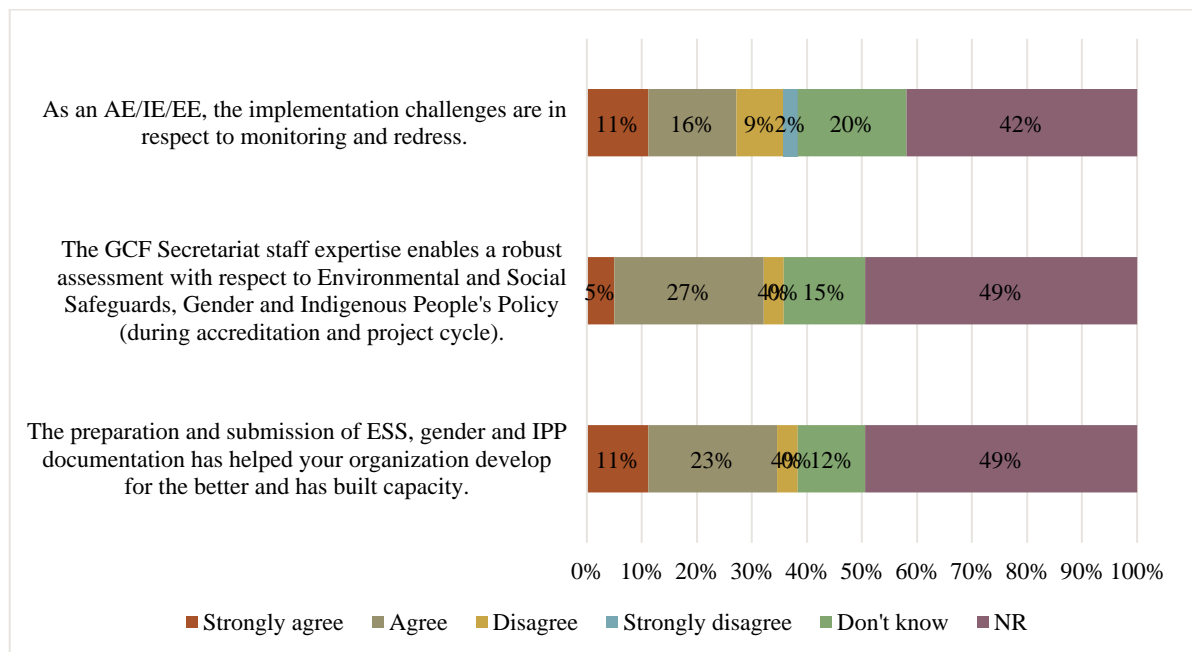


Figure A - 24. Only for representatives of national determined authorities (NDA), accredited entities (AE) or implementing/ executing entities (IE/EE)

Note: Non respondents = 40
Total number of respondents = 81

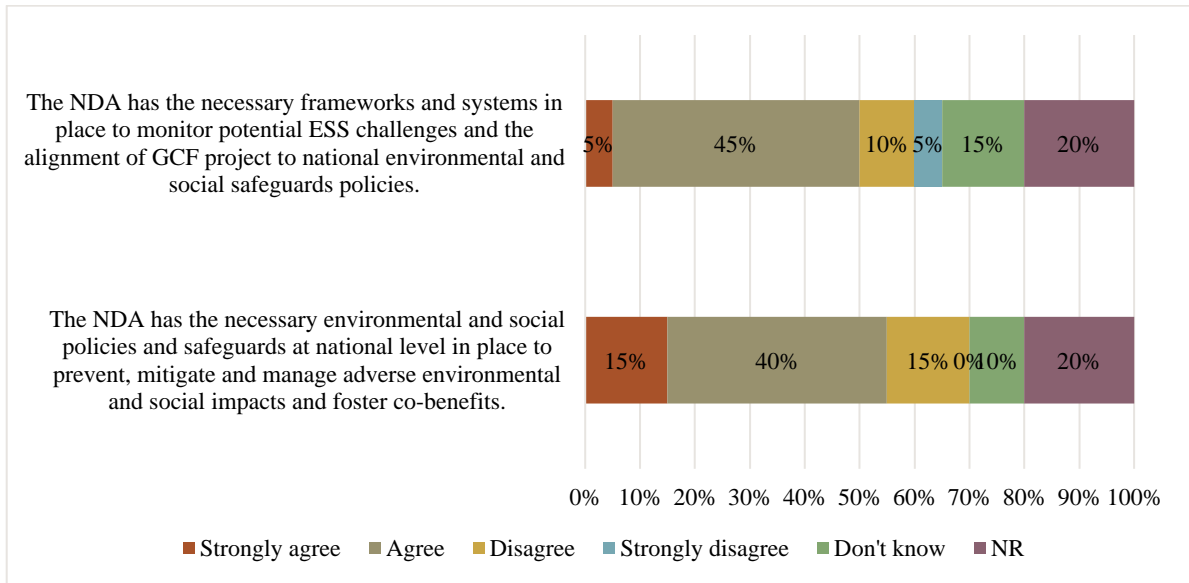


Figure A - 25. For representatives of national determined authorities (NDA) only

Note: Non respondents = 4
Total number of respondents = 20

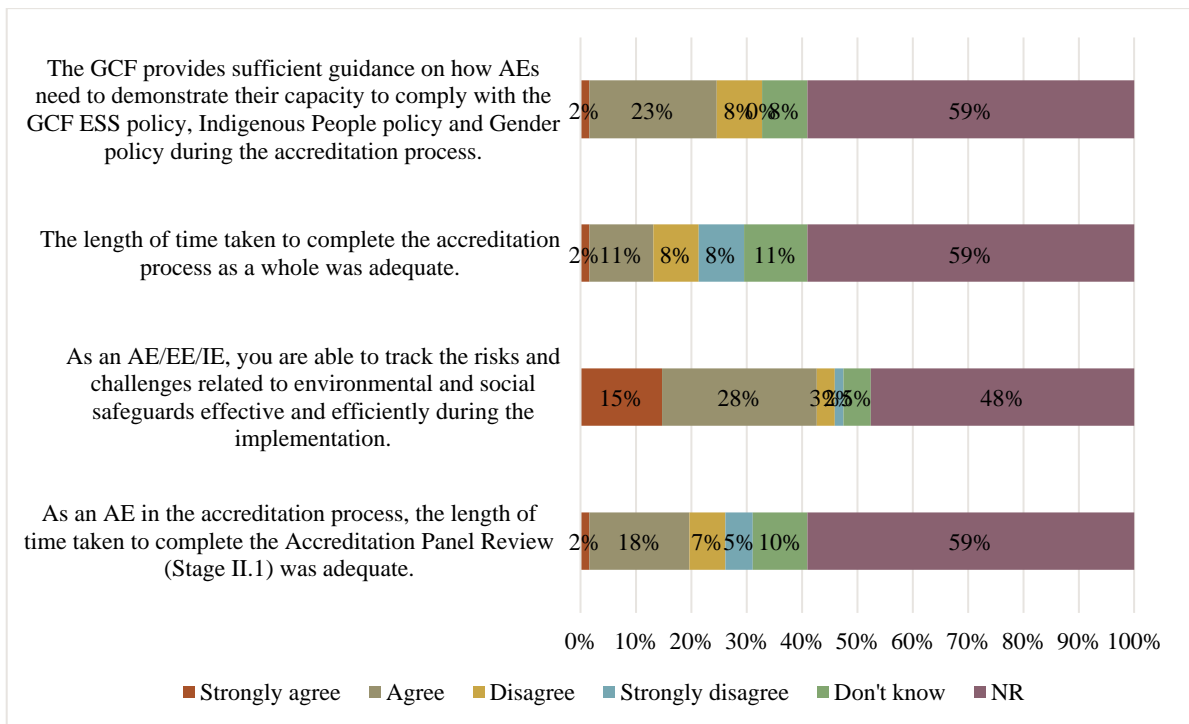


Figure A - 26. For representatives of accredited entities (AE) or implementing/executing entities (IE/EE) only

Note: Non respondents = 36
Total number of respondents = 61

ANNEX 4. PERCEPTION SURVEY OF THE PPF

The online survey was sent to all NDAs/focal points and AEs through DCP. The survey was open for responses from 10 January 2020 to 24 January 2020. A total of 88 respondents attempted the survey. Of these, 26 were discarded, as they didn't answer any of the questions. The population of 62 respondents was considered for further analysis.

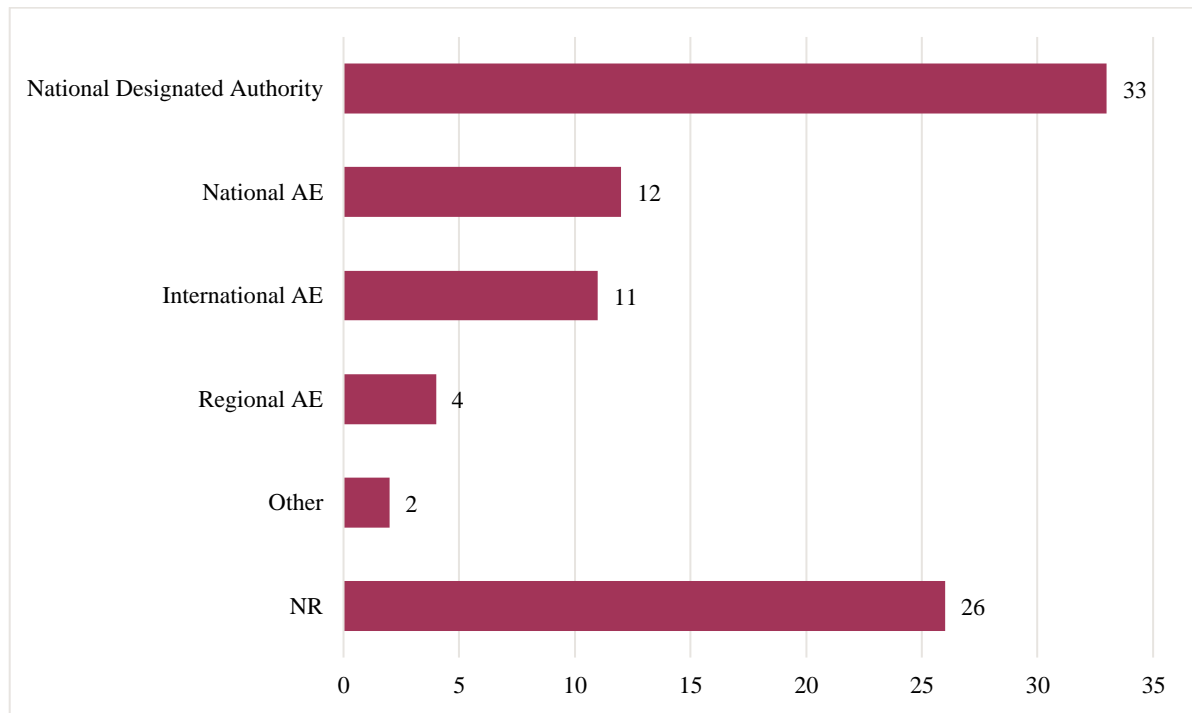


Figure A - 27. Which of the following best describes your organization?

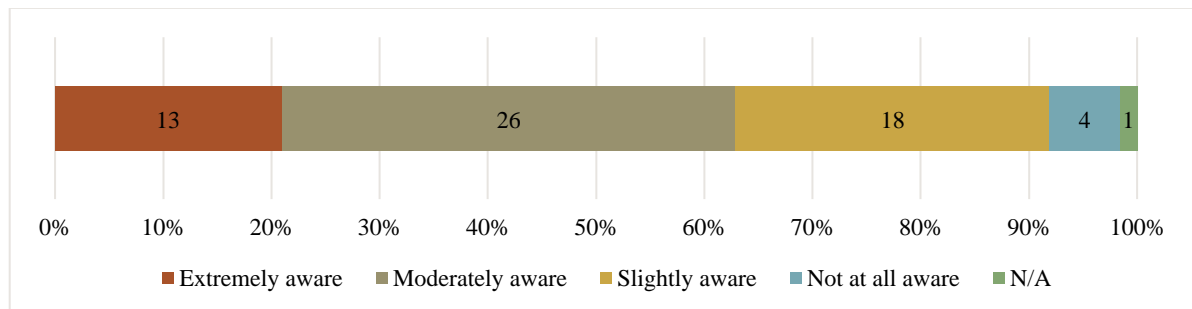


Figure A - 28. Please rate your familiarity with the project preparation facility (PPF) of the GCF.

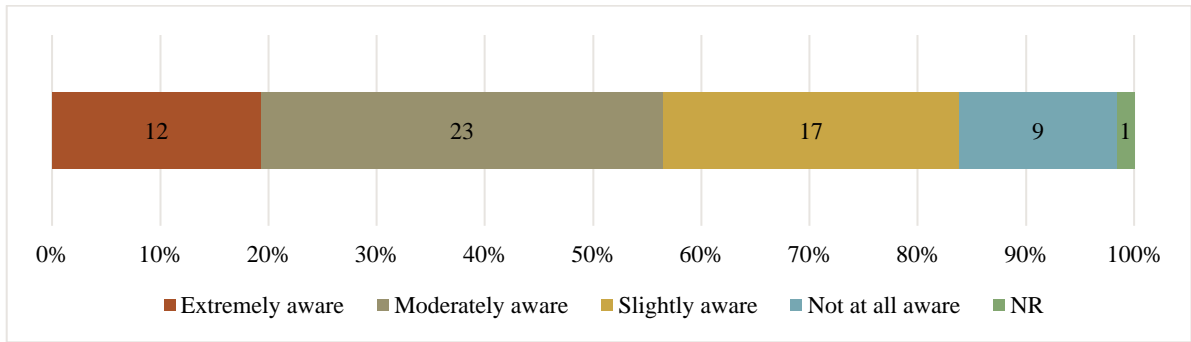


Figure A - 29. Are you aware of how the PPF can be used to support the preparation of projects for GCF?

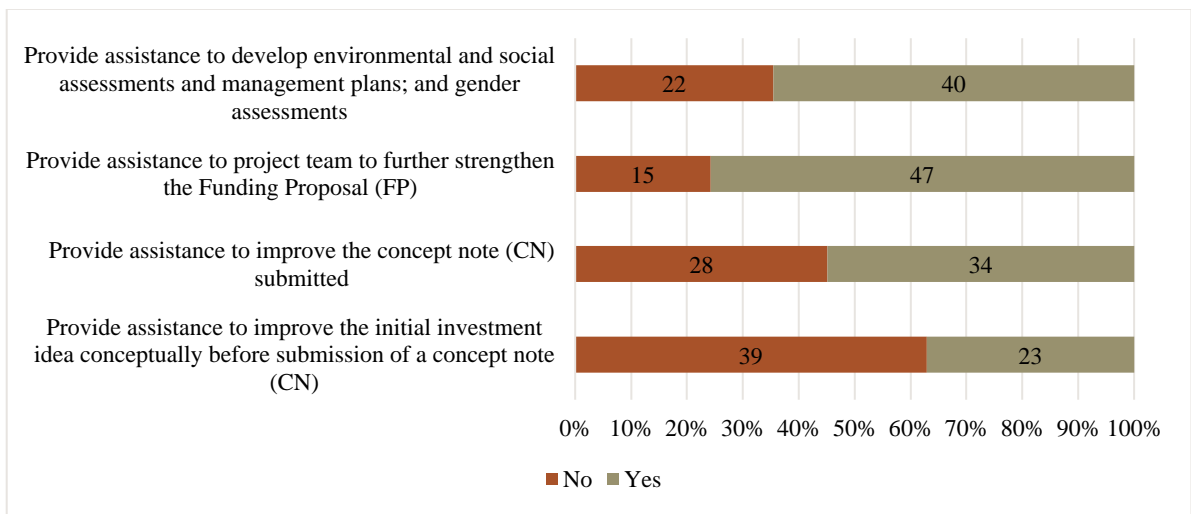


Figure A - 30. What is your perception of how the project preparation facility (PPF) is being used at the GCF?

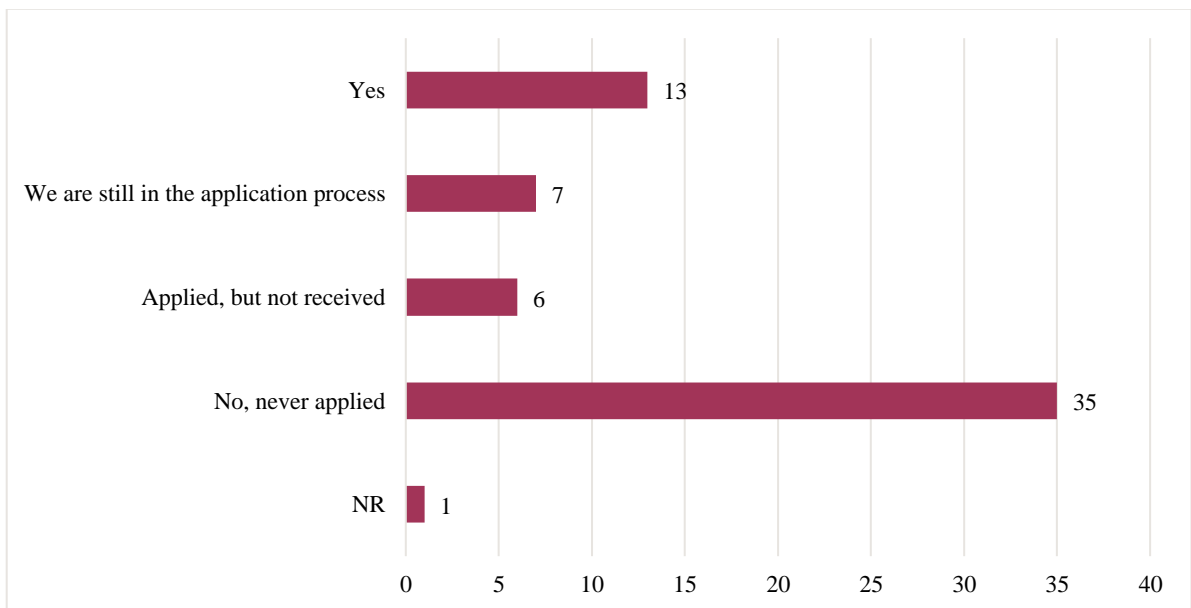


Figure A - 31. Have you applied and received GCF PPF grants?

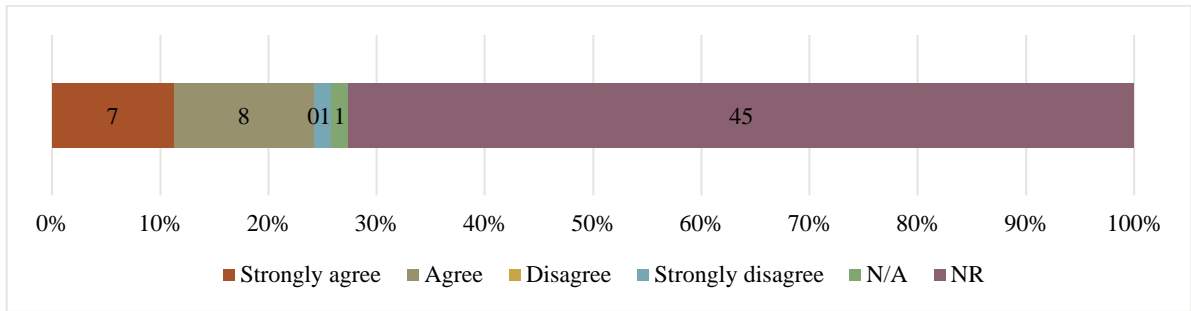


Figure A - 32. The NDA was fully supportive of the PPF application process.

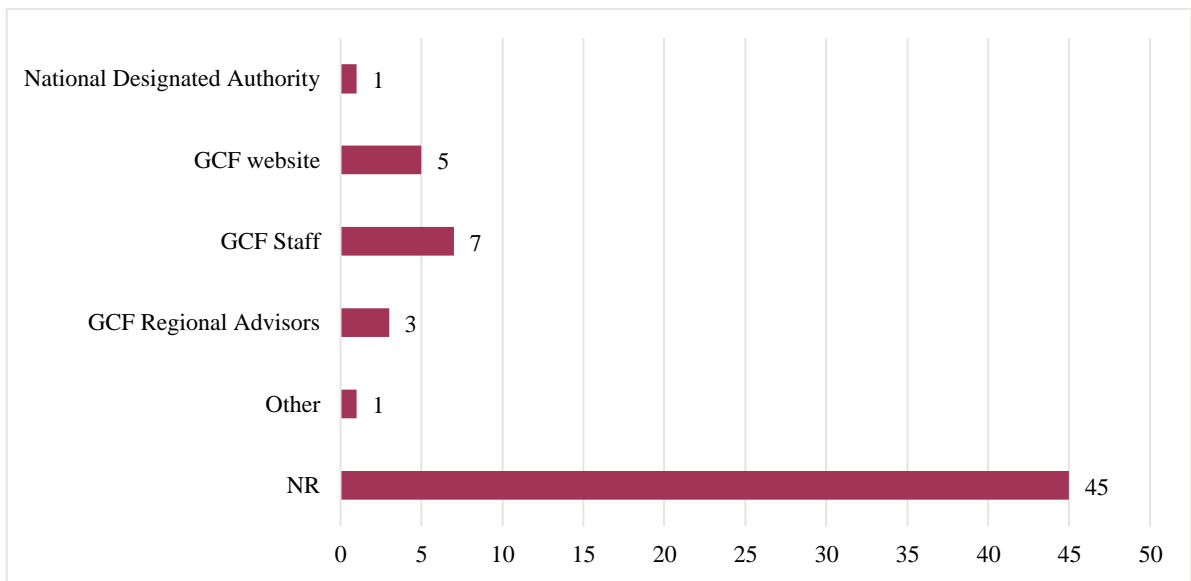


Figure A - 33. What was your main source of information on PPF throughout the process?

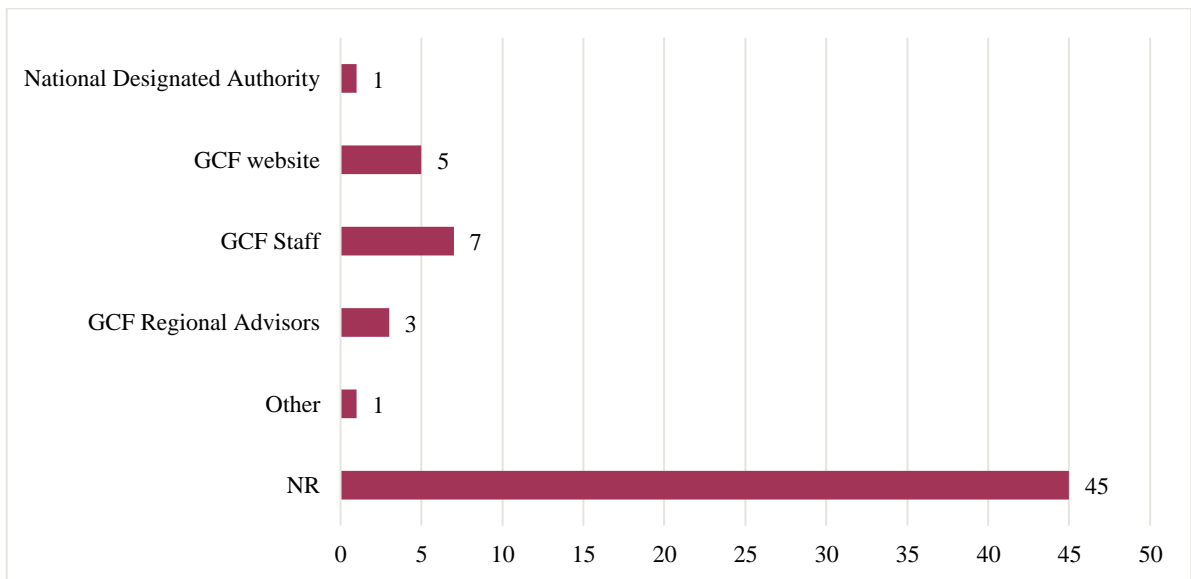


Figure A - 34. What was your main source of information on PPF throughout the process?

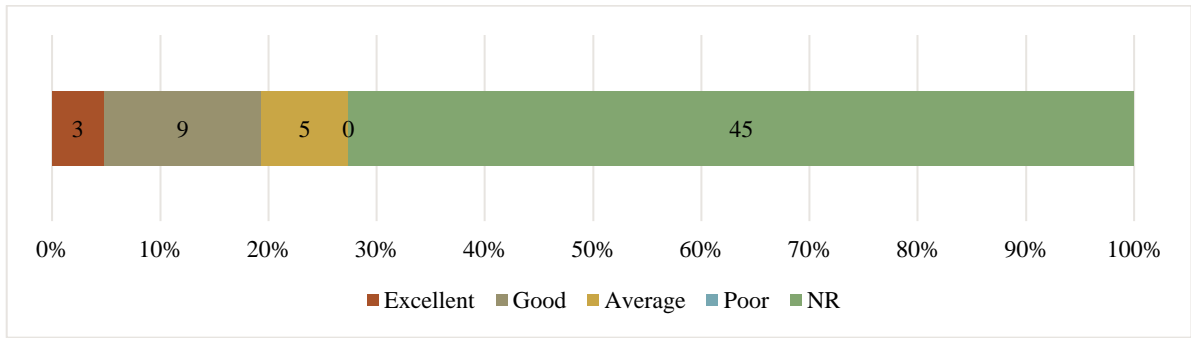


Figure A - 35. Please rate the communication with the GCF Secretariat during the PPF application process.

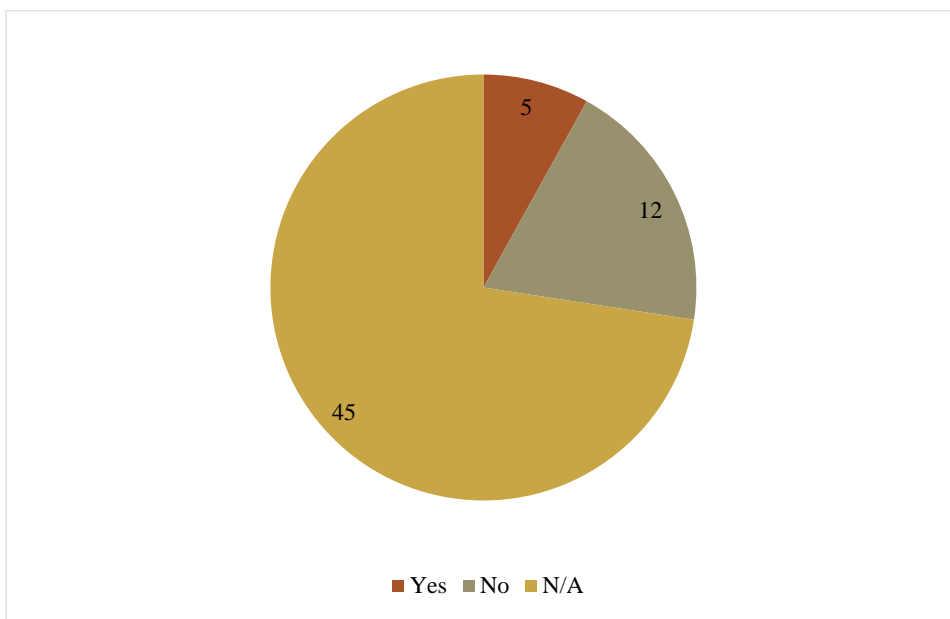


Figure A - 36. Did you experience any inconveniences/bottlenecks in the process of applying and receiving PPF grants?

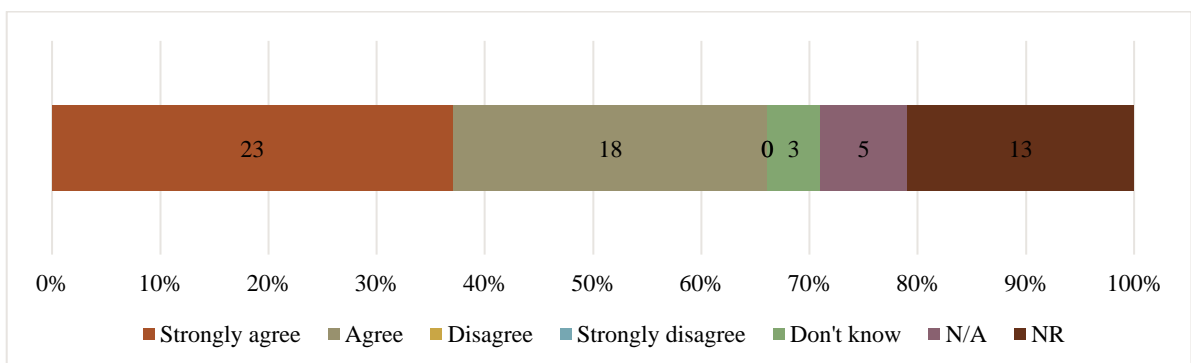


Figure A - 37. The PPF is useful for the development of funding proposals for GCF.

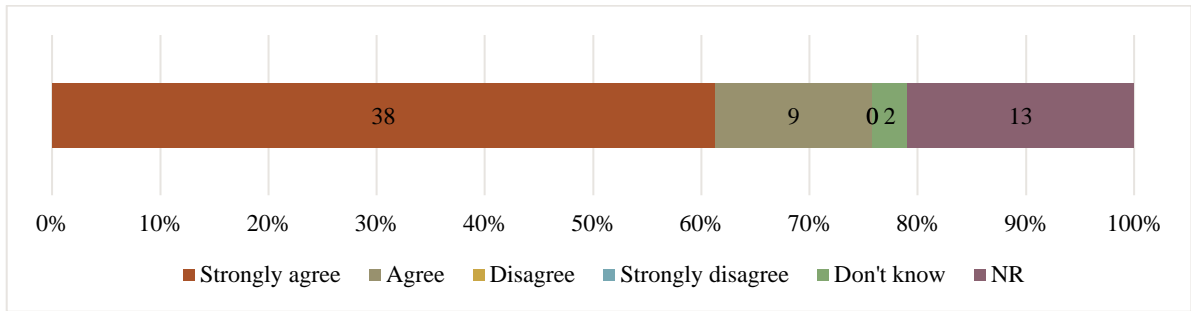


Figure A - 38. GCF should continue to provide PPF funding for future potential projects.

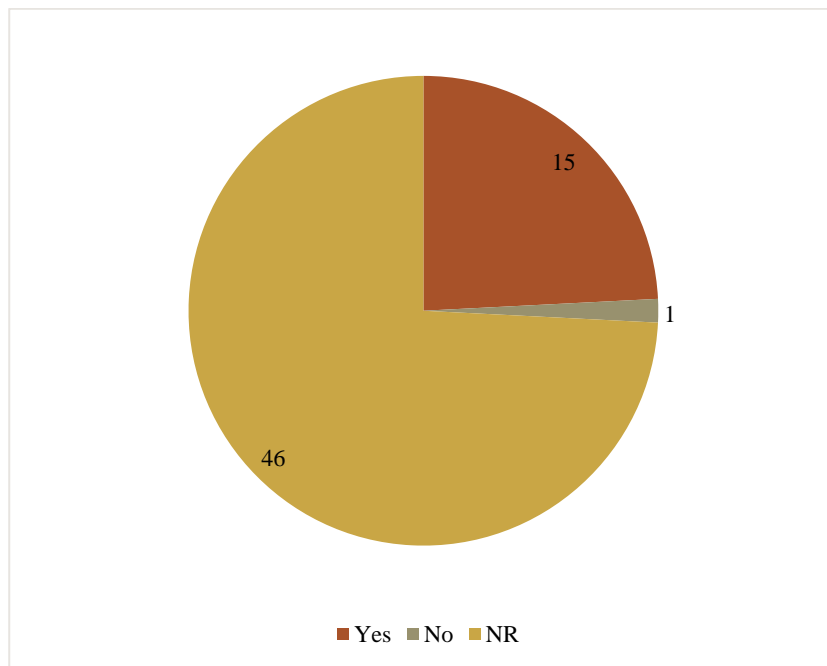


Figure A - 39. Would you recommend other organizations to apply for PPF funding?

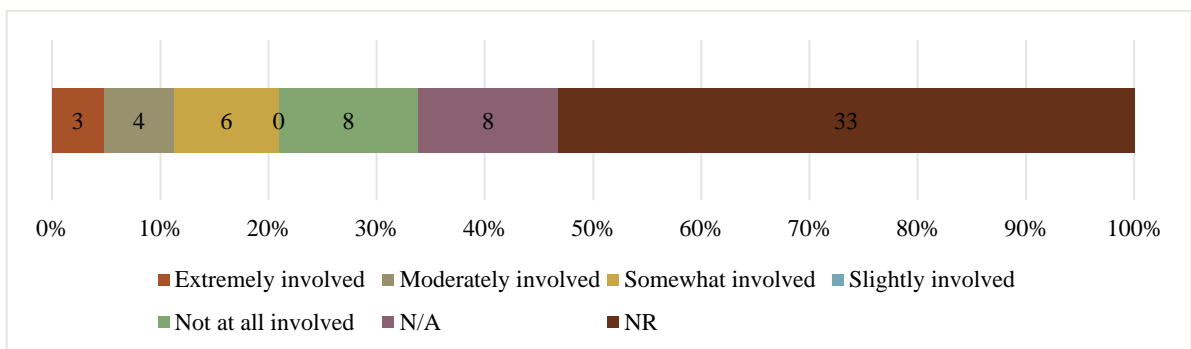


Figure A - 40. How involved were you in the PPF application process, i.e. did the AE require guidance and resources?

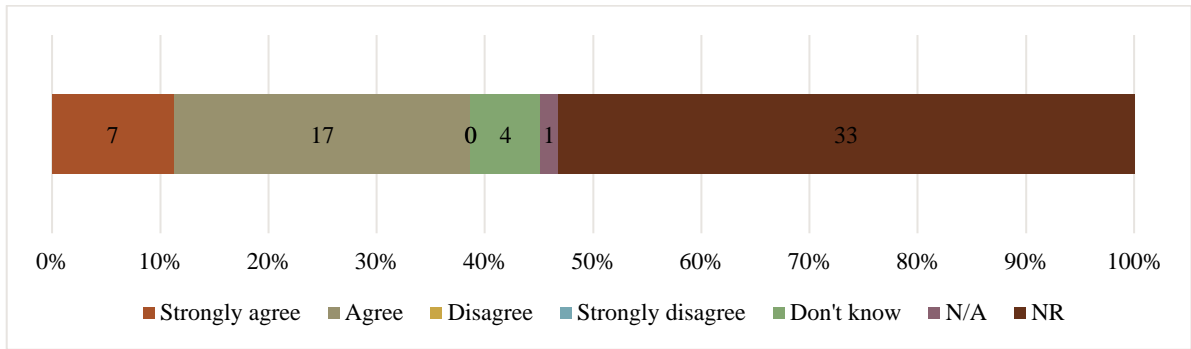


Figure A - 41. *In your opinion, does PPF effectively complement readiness support provided by the GCF?*

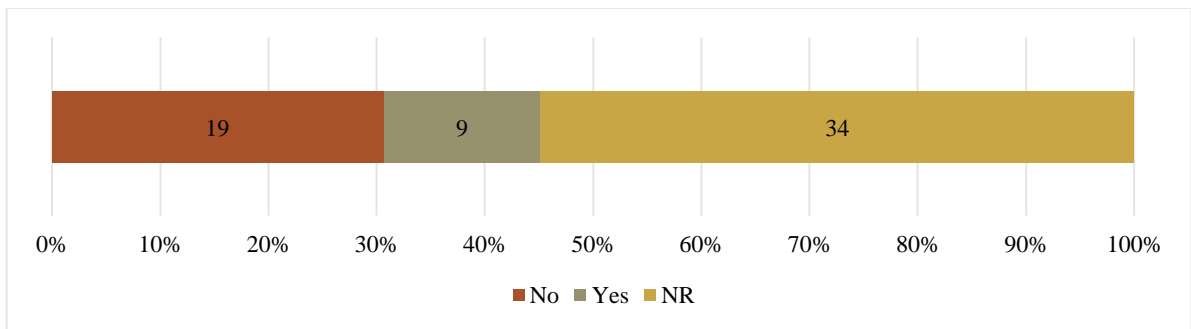


Figure A - 42. *Do you believe that there are barriers in the way AEs access PPF? If so, please state the barriers?*

ANNEX 5. BENCHMARKING STUDY

A. OBJECTIVE, SCOPE AND STRUCTURE OF THE BENCHMARKING REPORT

The Governing Instrument of the GCF requires the adoption of “best practice environmental and social safeguards.”¹⁵² We note “best practice” does not equate to the “latest,” “newest,” or “most prominently used” ESS policies and practices.

To ensure GCF funds are used in accordance with global principles, standards, and practices for social and environmental protection, it is important that GCF funding reflects international best practices in these areas and that it be aligned with the principles and provisions set out by the UNFCCC and the Paris Agreement. Such standards and practices are embodied in international environmental and human rights agreements, and in the lessons of other climate funds and the UNFCCC itself.

The main purpose of the benchmarking exercise is to evaluate the degree to which the GCF ESS standards and its ESMS (currently under development) are aligned with international best practices in these areas, and with the principles and provisions set out by the UNFCCC and Paris Agreement. We also consider the track record regarding ESS implementation,¹⁵³ and not only what is stated in the ESS policies. Additionally, our objective is to offer insights into the challenges and opportunities identified by these climate funds that are useful to the GCF in the adoption of its ESS.¹⁵⁴

The benchmarking exercise focuses on the climate funds that serve as operating entities of the Financial Mechanism of the UNFCCC. This is imperative given that, in contrast to MDBs and other international development finance institutions, the GCF serves the Paris Agreement as an operating entity of its Financial Mechanism, and therefore must be guided by the principles and provisions of the Convention that are not applicable to traditional development finance.

Five funds are explicitly part of the institutional framework of the UNFCCC, and the focus of this benchmarking exercise: the GEF, the GCF, the LDCF, the SCCF, and the AF. However, noting that these climate funds are not the only sources of finance for climate change mitigation and adaptation and that lessons can also be drawn from traditional development finance, this report also examines and outlines the emerging lessons of multilateral development banks (MDBs), including the World Bank, Climate Investment Funds (CIFs), African Development Bank, Asian Development Bank, Inter-American Development Bank, United Nations Development Programme (UNDP), and Netherlands Development Finance Company (FMO) **that are relevant to the mandate and current business model of the GCF.** Note that the CIFs operate outside of UNFCCC governance, are not accountable to the UNFCCC, and, as such, do not report to the COP or receive its guidance. Therefore, they are only examined with regard to their emerging lessons relevant to the GCF.

¹⁵² GCF Governing Instrument, para. 65

¹⁵³ Examining relevant reports from independent evaluation units or independent accountability mechanisms or existing institutions, as areas of non-compliance in those investigations, may provide insights on where policies could be improved. For example, an extensive audit conducted by the International Finance Corporation (IFC) Compliance Advisor Ombudsman (CAO) of IFC Investments in Financial Intermediaries (FI), and its ability to ensure that its own performance standards are complied with in intermediated IFC investments. The CAO FI audit is available at <http://www.cao-ombudsman.org/newsroom/documents/FIAUDIT.htm>

¹⁵⁴ GCF/B.07/11, section IV

To achieve the above-stated objective, the benchmarking report is structured as follows:

Section I: examines the climate funds' safeguard standards and policies, monitoring and reporting systems, and grievance redress mechanisms;

Section II: examines the similarities and differences between the climate funds. This section offers an analysis of the extent of coverage of their safeguards in relation to international best practices and alignment with the Paris Agreement principles and provisions; and

Section III: identifies the emerging lessons relevant to the GCF mandate and business model from traditional development funding, including CIFs, MDBs, UNDP, and FMO.

C. METHODOLOGY

1. LINK TO THE EVALUATION MATRIX

The benchmarking exercise will focus on the coherence evaluation criteria of the evaluation matrix, and will specifically address key evaluation question 1:

“To what degree do the GCF ESP/standards operate together to achieve their objectives, and are they aligned with relevant international best safeguard standards and practices?”

2. METHODOLOGY

Our research comprised an extensive literature review of the climate funds' annual reports, performance reports, independent evaluations of safeguard systems of climate funds, UNFCCC reviews, and academic and civil society research. We supplemented this secondary research with in-person or telephone interviews with key stakeholders, conducted between June and August 2019.

Interviewees included the following stakeholders:

- Representatives from developing country institutions responsible for receiving climate finance;
- The GCF Secretariat; and
- Representatives of civil society organizations that engage with the funds.

For reasons of brevity, Annex 5, Benchmarking study, is published separately on the IEU website:

<https://ieugreenclimate.fund/documents/977793/1474142/ESS-Annex+5-Benchmarking+study/b11286c9-3e2a-54ca-056b-3cf5ca8acd8f>

ANNEX 6. PPF REVIEW

For reasons of brevity, Annex 6, Project Preparation Facility Review, is published separately on the IEU website: https://ieu.greenclimate.fund/documents/977793/1474142/ESS-Annex_6-Project_Preparation_Facility_review.pdf/d5e38ea8-76f9-5c12-ca96-bb570f4fcab7

ANNEX 7. REDD+ INITIATIVES

There's a broad array of public and private, bilateral and multilateral, national and international sources of funding supporting REDD+ related efforts, which have been and continue to be channelled through diverse funding mechanisms, including loans and grants. Below we examine the most relevant financial sources supporting all REDD+ phases.¹⁵⁵

As part of the methodological guidance established under the UNFCCC to support and scale up REDD+ implementation, UNFCCC Decision 9/CP.19 encourages all entities providing financing for REDD+ activities to “work with a view to increasing the number of countries that are in the position to obtain and receive payments for results-based actions.” **All entities financing REDD+ implementation are required to apply the methodological guidance agreed under COP, including the provisions contained in the WFR.**¹⁵⁶

A. FOREST CARBON PARTNERSHIP FACILITY

The Forest Carbon Partnership Facility (FCPF) was set up “to assist eligible REDD Countries in their efforts to achieve Emission Reductions from deforestation and/or forest degradation by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD.”¹⁵⁷ The FCPF is composed of two separate funds: the “Readiness Fund” and the “Carbon Fund.” The Carbon Fund (CF) began operation in 2011 and is the second fund managed by the World Bank under the FCPF. It was conceived to draw on countries’ readiness progress under the FCPF’s Readiness Fund and aims to pilot RBPs by rewarding countries’ results-based performance following previously negotiated contracts for verifiable emissions reductions resulting from the implementation of Emission Reduction Programme Documents.

To be eligible to access RBPs under the CF, countries should have:

- demonstrated conformance with all requirements under the FCPF Readiness Fund;
- been accepted into the CF’s pipeline after approval of CF participants; and
- met all requirements established for Readiness Packages – including conformance with the Common Approach - for CF participants’ consideration prior to approval.

The criteria and indicators included in the Methodological Framework of the CF (including “the Common Approach”) require that each Emission Reduction Programme must:

- meet the World Bank social and environmental safeguards;
- promote the UNFCCC REDD+ safeguards¹⁵⁸, in part, though not solely, demonstrated through having an SIS in place¹⁵⁹;

¹⁵⁵ Mapping Forest Finance, A Landscape of Available Sources of Finance for REDD+ and Climate Action on Forests. (2018) Available at <https://www.edf.org/sites/default/files/documents/EDF101-REDD%2BFinance.pdf>

¹⁵⁶ UNFCCC Decision 9/CP.19

¹⁵⁷ The other stated objectives of the FCPF are: To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future large scale positive incentives for REDD; To test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and To disseminate broadly the knowledge gained in the development of the facility and implementation of Readiness Preparation Proposals and Emission Reductions Programmes. FCPF, (2010) Charter Establishing the FCPF. The International Bank for Reconstruction and Development (IBRD). Available:

http://www.forestcarbonpartnership.org/sites/forestcarbonpartnership.org/files/Documents/PDF/Sep2010/FCPF_Charter-August_2010_clean.pdf

¹⁵⁸ Decision 1/CP.16

¹⁵⁹ Decision 12/CP.17

- provide information on how these safeguards are addressed and respected; and
- ensure the appropriate grievance redress mechanisms exist¹⁶⁰.

To date, there are 19 REDD+ countries in the Carbon Fund's pipeline and 13 in the portfolio. Of those, three have signed Emissions Reduction Purchase Agreements (ERPAs)¹⁶¹, which constitute contracts for results-based payments for emissions reductions demonstrated and may include the transfer of carbon rights on behalf of the CF, and the other 10 are undertaking pre-ERPA signature action.¹⁶² The CF is currently no longer receiving submissions of final Emission Reductions Programme Documents by countries to be included in the CF's pipeline.¹⁶³ The CF terminates on 31 December 2025 and has a minimum 5-year ERPA reporting period that allows for monitoring, reporting, verification, and payments before that date.

Overall, the FCPF CF safeguard requirements are not aligned with the WFR. Although the FCPF's Methodological Framework requires the Cancun Safeguards to be promoted and that countries have in place an SIS, it focuses on and assesses the application of the World Bank's social and environmental safeguards. Through the readiness fund, the FCPF requires countries to conduct a Social and Environmental Strategic Assessment to ensure conformance with World Bank safeguards policies. It also requires countries to adopt an Environmental and Social Management Framework for managing and mitigating potential risks from REDD+ implementation. Interestingly though, according to the World Bank, its own safeguards policies, procedures, and practices are "consistent" with the Cancun Safeguards for REDD+¹⁶⁴.

However, while the CF's Methodological Framework document states it "*may be refined from time to time, after the first few Emission Reductions Programmes proceed and lessons are learned, or as new guidance on REDD+ is provided by the UNFCCC*,"¹⁶⁵ it has not been revised in a way that is better aligned with the WFR or reflects lessons from early implementation. This said, **the FCPF's Methodological Framework fails to apply the methodological guidance agreed under the COP, including provisions contained in the WFR**¹⁶⁶. The most recent independent evaluation of the CF noted that the challenges faced by the programme included addressing the technical complexities of requiring compliance with FCPF safeguard requirements¹⁶⁷. Discussions with country governments indicated that having to apply FCPF safeguard requirements was an additional burden.

D. BILATERAL FINANCE – GERMANY, NORWAY AND THE UNITED KINGDOM

Germany, Norway, and the United Kingdom – collectively referred to as GNU announced in 2015 that they would provide USD 5 billion by 2020 in support of all REDD+ phases. These funds have been used to establish:

¹⁶⁰ https://www.forestcarbonpartnership.org/sites/fcp/files/2013/june2013/FMT%20Note%20CF-2013-3_FCPF%20WB%20Safeguard%20Policies%20and%20UNFCCC%20REDD%2B%20Safeguards_FINAL.pdf

¹⁶¹ Democratic Republic of Congo, Ghana and Mozambique

¹⁶² Chile, Cote d'Ivoire, Indonesia, Lao PDR, Madagascar, Mexico, Nepal, Republic of Congo and Vietnam

¹⁶³ Forest Carbon Partnership Facility. Eighteenth Meeting of the Carbon Fund (CF18).

https://www.forestcarbonpartnership.org/system/files/documents/Chair%20Summary%20CF18_Final.pdf

¹⁶⁴ FCPF Carbon Fund (2013) World Bank Safeguard Policies and the UNFCCC REDD+ Safeguards.

¹⁶⁵

¹⁶⁶ UNFCCC Decision 9/CP.19

¹⁶⁷ INDUFOR, World Bank, Second Evaluation of the Forest Carbon Partnership Facility (2016)

<https://www.forestcarbonpartnership.org/system/files/documents/Second+FCPF+Evaluation+Final+Report+Nov+2016+%28ID+94139%29.pdf>

- The Norwegian International Climate and Forests Initiative. Norway has pledged up to NOK 3 billion a year (over USD 340 million) to reduce emissions from deforestation and forest degradation in developing countries. The Norwegian International Climate and Forests Initiative mandate extends until 2030. RBP has been pledged to Brazil, Indonesia, Guyana, Peru, and Liberia. Just over USD 1 billion has been disbursed, mostly through contributions to Brazil's Amazon Fund (with additional contributions from Germany and the private sector).
- The German REDD for Early Movers Programme. REDD for Early Movers Programme has been active in three countries: in the state of Acre in Brazil, in Ecuador, and in the Amazon region of Colombia. REDD for Early Movers Programme has committed over EUR 60 million.¹⁶⁸ Norway and the UK have committed additional financing, and other donors are expected to join.

These bilateral finance initiatives apply the methodological guidance agreed under the COP, including the provisions contained in the WFR with regards to safeguards¹⁶⁹. To access to RBP under the above-mentioned bilateral agreements, REDD+ countries must demonstrate that REDD+ activities were implemented in line with the Cancun Safeguards. An independent verification process is carried out to verify that these safeguards have been met in a manner that is thoroughly transparent and robust, while tailored to each country's circumstances.

E. ARCHITECTURE FOR REDD+ TRANSACTIONS¹⁷⁰

Architecture for REDD+ Transactions (ART) is a recently launched global initiative aiming to advance REDD+ results-based implementation that promotes environmental and social integrity and high-quality REDD+ emissions reductions. As a global initiative bringing public and private sources of funding to scale up high-quality REDD+ implementation, ART is currently developing The REDD+ Environmental Excellency Standard, which sets out the requirements for quantifying, monitoring, and reporting GHG emission reductions; demonstrating the implementation of the Cancun Safeguards; and the verification, registration, and issuance of emission reductions units.

In terms of safeguards-requirements, participant countries under ART will be required to demonstrate that they have implemented REDD+ actions in accordance with the Cancun Safeguards. The standard provides concrete guidance on ways a country can demonstrate that it has addressed and respected all of the Cancun Safeguards, by unpacking the safeguards in line with other international agreements and decisions to provide step-wise pathways for Participants to improve safeguard performance over time, to foster transparent and consistent reporting on conformance with the Cancun Safeguards, and to allow for third-party verification of Participant conformance. **No additional safeguard requirements beyond those in the WFR are included to respect the sovereignty and unique circumstances of Participant countries. It is expected that as a result, Participants will be able to fully draw upon their existing efforts for addressing and respecting the Cancun Safeguards when implementing REDD+ activities, and setting up their safeguard information systems, to demonstrate conformance with REDD+ Environmental Excellency Standard without additional burden.**

¹⁶⁸ About USD 65.7 million, when considering current conversion rates.

¹⁶⁹ UNFCCC Decision 9/CP.19

¹⁷⁰ Architecture for REDD+ Transactions and The REDD+ Environmental Excellency Standard (2019). Available at <https://www.artredd.org>.

ANNEX 8. EVALUATION MATRIX

AREAS	EVALUATION CRITERIA	KEY QUESTIONS	SUB QUESTIONS
GCF's ESP and standards	Coherence	1. To what degree do the GCF's ESP, ESMS, and standards operate together to achieve their objectives, and are they aligned with relevant international best safeguard standards and practices?	<p>To what extent are the GCF's current ESP/standards coherent with global commitments and international law principles on human rights and environmental obligations?</p> <p>To what extent are the GCF's ESP and standards coherent with and relevant to ESPs and standards applied in the climate change landscape?</p> <p>How coherent are the GCF's ESP and standards with other GCF policies and strategic goals and the GCF institutional structure?</p>
Process and operations	Effectiveness and Efficiency Relevance Country ownership and recipients' needs Sustainability	2. To what extent is GCF addressing the capacity needs of AEs and countries to ensure the effective implementation of the ESMS?	<p>How effective is the accreditation process in terms of assessing the capacity of prospective AEs to prevent, manage or mitigate adverse environmental and social impacts, as well as setting the standards for environmental and social performance and achieving co-benefits?</p> <p>What support, in the form of RPSP and PPF, has been provided to AEs, in particular, DAEs and NDAs, to help increase capacity to apply current ESMS, including the ESP and ESS standards?</p>
Project design and approval	Effectiveness and Efficiency	3. To what extent has GCF's ESMS been efficiently and effectively incorporated in project design and approval ?	<p>How effectively is the ESMS applied to concept notes and FPs, and to what extent do projects seek to achieve co-benefits? To what extent do public sector appraisal processes differ from those for private sector operations?</p> <p>How effectively and efficiently has the ESMS been applied in the approval process and FAAs?</p>
Project implementation and Likely results and impacts of the GCF's investments	Effectiveness, Efficiency, Country Ownership, Sustainability	4. How efficient and effective has the ESMS been in ensuring adequate monitoring and reporting by the AEs of environmental/social management measures during the implementation of GCF funded projects? To what extent are co-benefits being realized, or to what extent are they	<p>How efficient and effective has the GCF been in ensuring adequate monitoring and reporting by the AEs of environmental/social management measures during the implementation of GCF funded projects?</p> <p>To what extent has the GCF grievance redress requirements and mechanisms helped to address emerging concerns/complaints and to mitigate risks?</p> <p>To what extent are results and impacts from GCF funded projects</p>

AREAS	EVALUATION CRITERIA	KEY QUESTIONS	SUB QUESTIONS
		likely to be realized in GCF projects?	likely with regards to E&S performance?

ANNEX 9. INTERVIEW PROTOCOLS

A. COUNTRY PROTOCOLS

INTERVIEW QUESTIONS

The focus of the country visit interviews will be on projects and their implementation. This means that the interview questions will be tailored predominantly to EEs, but with subsidiary questions to other stakeholders such as NDAs, AEs, CSOs, and potential beneficiaries. As indicated in Table 6, the country case studies are one of the methods for addressing the following key questions from the Evaluation Matrix:

- Key question 2 (process and operations);
- Key question 4 (project implementation); and
- Key question 5 (likely results and impacts of GCF investments).

The ESS team will customize the questions for each country and each relevant stakeholder group. The ESS team will refine the following generic interview guides both before, and during the country visits.

EXECUTING ENTITIES (EES)

Name of Interviewee(s):

Contact information (email and telephone):

Institution:

Position:

ESS Team interviewer(s):

Date of Interview:

Location:

Key points of interest in the interview:

Introductory questions

What are your name and position?

How are you involved with the GCF?

For how long have you been in this position? (Were you involved with the GCF before that?)

SPECIFIC INTERVIEW QUESTIONS EES

PROCESS AND OPERATIONS

What is your level of understanding of the AEs safeguards process?

Does your own agency/entity have safeguards system (framework, policy, procedure, guidelines)?

Is there a linkage between your own agency's safeguards procedures and those of the AEs?

Has your own agency/entity's approach to safeguards changed as a consequence of becoming an Executing Entity? If so, how, and what are the challenges you had to address?

SPECIFIC INTERVIEW QUESTIONS EEs

Are your responsibilities clear in terms of ESS?

Have you received any guidance from the NDA and/or the AE regarding safeguards standards/requirements/practice?

PROJECT IMPLEMENTATION

What were you supposed to do in terms of ESS during the project preparation and implementation? Were there any challenges? If so, how did you address them?

How did you communicate with local authorities and residents during the project preparation and implementation to ensure compliance with the project's ESS requirements?

What is your role in the monitoring and reporting of environmental management commitments during project implementation?

Have your responsibilities during project implementation been influenced in any way by the GCF safeguards process?

Have you had any engagement with the GCF IRM? If so, in what fashion?

LIKELY RESULTS AND IMPACTS

Could you see any potential and/or actual impacts of the project on the environment and local lives during and after the project? How did you communicate with local people and NDA in this regard? How did you deal with it in case of unexpected results?

To what extent have your agency's capacities been strengthened to prevent/manage/mitigate impacts and improve environmental/social benefits?

What have you (and your agency) learned anything with regards to managing environmental and social risk from being involved in a GCF funded project?

ACCREDITED ENTITIES (AEs)

Name of Interviewee(s):

Contact information (email and telephone):

Institution:

Position:

ESS Team interviewer(s):

Date of Interview:

Location:

Key points of interest in the interview:

Introductory questions

What is your name and position?

How long have you been involved with the GCF?

For how long have you been in this position in your agency?

SPECIFIC INTERVIEW QUESTIONS AEs

PROCESS AND OPERATIONS

What is your level of understanding of the GCF safeguards process?

What has been the linkage between your own agency's safeguards procedures and those of the GCF?

In your experience, is the accreditation process as it is, credible, necessary, and sufficient?

How do you prepare as an organization to fulfill the requirements for environmental and social policy at accreditation and continue their preparation and commitment post accreditation?

Has your own agency/entity's approach to safeguards changed as a consequence of becoming an Accredited Entity? Was adequate guidance given during the accreditation process?

Are responsibilities for the GCF-funded project clear during project preparation for all stakeholders?

PROJECT IMPLEMENTATION

What is your role concerning oversight of the EE's safeguards process?

Have you had any engagement with the GCF Independent Redress Mechanism? If so, in what fashion?

Are you aware of monitoring and reporting responsibilities of environmental management commitments to the GCF? Are reporting requirements for APRs clearly stated?

LIKELY RESULTS AND IMPACTS

How effective has your agency been in executing the GCF's ESS mandate?

Has the accreditation process contributed to increasing your agency's ESS capacity?

How effective have your safeguards been in addressing potential impacts?

CIVIL SOCIETY ORGANIZATIONS

Name of Interviewee(s):

Contact information (email and telephone):

Institution:

Position:

ESS Team interviewer(s):

Date of Interview:

Location:

Key points of interest in the interview:

Introductory questions

What are your name and position?

For how long have you been in this position in your agency?

SPECIFIC INTERVIEW QUESTIONS CSOs
PROCESS AND OPERATIONS
What is your level of understanding of the GCF safeguards approach?
Is the relationship between the GCF, AEs, and EEs clear?
Do you have opportunities to engage with the approval of GCF funded projects?
Do you have the capacity to engage in the design and approval of GCF funded projects?
PROJECT IMPLEMENTATION
Do you have a role with regards to the implementation and oversight of GCF funded projects?
Have you had any engagement with the GCF Independent Redress Mechanism? If so, in what fashion?
Are you aware of any GCF monitoring of environmental management commitments?
LIKELY RESULTS AND IMPACTS
How effective do you think are the AE's safeguards?
Could you recommend any organizations and/or individuals that we should discuss further regarding safeguard issues in the projects?

F. QUESTIONS FOR THE INDEPENDENT TECHNICAL ADVISORY PANEL (iTAP)

1. What template/checklist is used to evaluate the investment criterion "sustainable development potential," and thus the (economic, environmental, social) co-benefits?
2. What other IC might be of importance to iTAP with regards to ESS?
3. Is the adequacy of the ESS standards as mitigating/processes/monitoring tools addressed? And how are they addressed?
4. How frequently do ESS issues appear in the iTAP review process?
5. How does the review of PAP and SAP differ concerning ESS issues from the iTAP perspective?
6. To what extent is the Secretariat's review on ESS and gender used in the iTAP process? Any structured/formal engagement with the ESS team of the Secretariat, based on the Secretariat's review made before the iTAP?
7. How would they rate their capacity to review ESS issues? Are any additional needs required?

G. QUESTIONS FOR THE ACCREDITATION PANEL (AP)

QUALITY CONTROL/TOOLS

1. What source of quality control is in place, and what tools are being employed to evaluate the applicant's policies and capacity concerning fiduciary, ESS, and gender standards? Are you

using any external guidance notes (e.g. guidance by the IFC)? If so, could you indicate which ones are being used?

2. Is there a correlation between fiduciary and ESS/ gender/IPP issue in the accreditation process?

REVIEW PROCESS

1. Based on your earlier feedback, the workload of the AP team is split, so that two members (one lead and one support) are reviewing one AE applicant. Could you indicate how this is done? In your experience, has this approach been effective and efficient? If you could, what would you change?
2. Does the current structure and mandate allow for any formal engagement with the ESS team of the Secretariat? Is there any engagement with the ESS team in case of further questions? What is the mechanism for solving different ideas on ESS/gender/IPP issues between ESS team, Secretariat, and AP during the accreditation process?
3. What is the frequency and significance of ESS issues that arise in the Accreditation review process? What kind of ESS capacity issues are most prominent in the review process? Are there distinct differences concerning the type of entities and the proposed ESS category?
4. Does the process allow for any formal engagement with the CSOs? Any opportunity to involve CSOs and/or PSOs? If not, what can be done better?
5. How does the review of IAEs differ from the review of DAEs? What sort of issues are pertinent?
6. How does the ESS review of private sector entities differ from the review of public entities? What sort of issues are pertinent?
7. To what extent does the AP do site visits to entities seeking accreditation? Out of the 86 accredited entities, how many were visited, and what determines if a visit takes place?
8. How are "Open items" regarding ESS policy and capacity from Stage 1 considered during the AP review?
9. How are ESS AMA conditions monitored, and what does this process consist of? Do any pending ESS issues or conditions in the AMA affect the project lifecycle and even first disbursement of the project, if approved?
10. In case ESS problems occur during the project implementation, what is the role of AP in reconsidering accreditation?
11. Are there any cases where a project FAA is signed before the AMA? What do you do then? What are your suggestions/solutions to improve this?
12. To what extent are 'integrity' databases like 'Dow Jones/Factiva' applied to entities applying for accreditation? Does the AP check for past litigation against the AEs on matters concerning ESS?

POTENTIAL IMPROVEMENTS

1. What should be changed regarding assessing ESS policy and capacity during the application process to make your work more efficient and effective?"
2. How would they rate the Secretariat's capacity to review the accreditation proposal? Are there any additional needs? Are there any guidelines by the Secretariat or other organizations about how best to assess ESS policies and capacity?

3. Do you regard the transitioning from phase 1 to phase 2 procedure during the accreditation process as effective and efficient? What would you change?
4. To what extent can the AP work be regarded as capacity building for the entities? Are there any differences between the types of entities?
5. What is your view of project-based accreditation? Would you recommend the GCF to pursue this?
6. What is your view of the importance of the capacity of AEs to ensure project-level ESS monitoring actions? Would you recommend this as a standard feature of FPs rather than the exception?
7. What is your view of AEs following the practice of requiring third-party monitoring of the implementation of ESS management actions during project implementation? Would you recommend this as a standard feature for FPs rather than the exception?

H. INTERVIEW QUESTIONS FOR PROJECT PREPARATION FACILITY

DIRECT ACCESS ENTITIES AND ACCREDITED ENTITIES

1. How is/was the communication and support throughout the PPF application process?
2. Are/did you experience any inconveniences/bottlenecks in the process of applying and receiving PPF grants?
3. Are/did you experience any advantages and benefits from the PPF and its process?
4. If unsuccessful in the past- Did your unsuccessful application of PPF hamper your ability to finalize a project for board consideration (i.e. did you still proceed with the project design for this specific type of project)?
5. In your opinion, how effective is the PPF in supporting DAEs designing and structuring climate-informed, well-targeted, transformational investment solutions?
6. In your opinion, what are the major factors (institutional and operational) enabling or hindering the effectiveness of the PPF?
7. How engaged is/was the respective NDA in the process?

GCF SECRETARIAT

1. In your opinion, how effective is the PPF in supporting DAEs for projects in the micro to small size category, with a view to enhancing the balance and diversity of the GCF project portfolio?
2. In your opinion, how effective is the PPF in supporting DAEs designing and structuring climate-informed, well-targeted, transformational investment solutions (as per GCF Strategic Plan)?
3. Linked to the questions above, how can the PPF facilitate strengthening the application of country ownership and of emerging country programmes that are actively utilized to inform prioritized investment projects?
4. In your opinion, what is needed to facilitate integrated PPF and Readiness funding cycles to aid multi-year country programming and reduce transaction costs?
5. In your opinion, what is needed to facilitate GCF expertise and communities of practice to develop sectoral guidance that can help guide countries and entities with designing and structuring climate-informed, well-targeted, transformational investment solutions?

6. In your opinion, what are the overall major factors (institutional and operational) enabling or hindering the effectiveness of the PPF?
7. In your opinion, what could be learned from the AF and/or GEF, and what opportunities for coordination could be explored? Specifically, the AF has made available: South to South cooperation grants¹⁷¹, Project Formulation Assistance (PFA) grants¹⁷², Technical Assistance (TA) grants¹⁷³, and Project Scale-up Grants¹⁷⁴. Additionally, in 2014, the AF launched the Readiness Programme for Climate Finance, designed to capture and share the growing experiences of AF direct access and other climate finance to strengthen the capacity of national and regional entities to receive and manage climate financing.

THE ADAPTATION FUND (AF)

1. Could you tell us what has been your successes and challenges with regards to Project Formulation Grants (PFGs), as well as with the South to South cooperation grants¹⁷⁵, Project Formulation Assistance (PFA) grants¹⁷⁶, Technical Assistance (TA) grants¹⁷⁷, and Project Scale-up Grants?
2. The 2018 evaluation noted that PFG has been effective and considered a valuable resource to DAEs. However, it was also noted by KIIs that the cap of USD 30,000 limit is insufficient for full proposal development. Is this cap a challenge for the successful preparation and submission of project proposals?
3. In your opinion, how best could AF and GCF coordinate to strengthen the capacity of national and regional entities to receive and manage climate financing? We note the AF launched the Readiness Programme for Climate Finance, designed to capture and share the growing experiences of AF direct access and other climate finance, but unaware to what extent coordination activities/measures have taken place.

THE GLOBAL ENVIRONMENT FACILITY (GEF)

1. Could you tell us what has been your successes and challenges with regards to Project Preparation Grants (PPGs)?
2. In your opinion, how best could AF and GEF coordinate to strengthen the capacity of national and regional entities to receive and manage climate financing?

¹⁷¹ These are small grants to facilitate South-South cooperation and enable select accredited implementing entities to provide peer support for accreditation to countries that wish to gain accreditation with the Fund.

¹⁷² These are additional small grants on top of PFGs and available for NIEs that need funding to undertake a specific technical assessment (i.e. environmental impact assessment, vulnerability assessment etc.) during the project preparation and design stage.

¹⁷³ These are small grants to help NIEs build their capacity to address and manage environmental and social as well as gender associated risks within their projects/programmes in accordance with the Fund's Environmental and Social Policy and Gender Policy.

¹⁷⁴ Project Scale-up Grants provide readiness funding to NIEs to support planning, assessment, capacity enhancement (individual, organization and institutional) for designing and developing scaling-up pathways for Adaptation Fund project and programmes under implementation and nearing completion or completed.

¹⁷⁵ These are small grants to facilitate South-South cooperation and enable select accredited implementing entities to provide peer support for accreditation to countries that wish to gain accreditation with the Fund.

¹⁷⁶ These are additional small grants on top of PFGs and available for NIEs that need funding to undertake a specific technical assessment (i.e. environmental impact assessment, vulnerability assessment etc.) during the project preparation and design stage.

¹⁷⁷ These are small grants to help NIEs build their capacity to address and manage environmental and social as well as gender associated risks within their projects/programmes in accordance with the Fund's Environmental and Social Policy and Gender Policy.

3. How often do Partner Agencies request PPG as part of their Project Identification form? How often will the CEO approve PPGs?
4. To what extent does GEF receive updates/reports from partner agencies on how the PPG has been utilized (reports after disbursement)?
5. In your experience, how long does it take from a PPG being approved by the CEO to the first disbursement of the PPG?

ANNEX 10. COUNTRY CASE STUDY REPORTS

For reasons of brevity, Annex 10, Country case study reports, is published separately on the IEU website: https://ieu.greenclimate.fund/documents/977793/1474142/ESS-Annex_10-Country_case_study_reports.pdf/60f85b9a-b9b9-5fe2-ded5-f6399cd3aee5

ANNEX 11. TOR OF THE ESS EVALUATION

A. AIMS

This document invites selected firms among those who signed the agreement (LTA) following request for proposals RFP_2018_S_XXX, to submit a proposal with a view to identifying one Service Provider to support the Evaluation of the Environmental and Social Safeguards (henceforth “ESS”) of the Green Climate Fund (GCF) by the Independent Evaluation Unit (IEU) of the GCF. The review has been approved by the GCF Board at its 21st meeting through Decision B.21/11. This document includes an overview of the objectives, approach, deliverables, and timeline for the Evaluation of ESS of the GCF.

I. BACKGROUND

The GCF is a multilateral fund created to make significant and ambitious contributions to the global efforts to combat climate change. The GCF contributes to achieving the objectives of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. In the context of sustainable development, the GCF aims to promote a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to climate change, while accounting for their needs and supporting particularly those that are vulnerable to the adverse effects of climate change. The GCF is governed by a Board composed of an equal number of members from developed and developing countries. It is operated by an independent Secretariat headed by an Executive Director.

The IEU of the GCF is mandated by the GCF Board under paragraph 60 of its governing instrument to inform its decision making. Specifically, the governing instrument states “... *the Board will establish an operationally independent evaluation unit as part of the core structure of the Fund. The head of the unit will be selected by and will report to, the Board. The frequency and types of evaluation to be conducted will be specified by the unit in agreement with the Board.*”

The IEU has several objectives:

- Informing decision-making by the Board and identifying and disseminating lessons learned, contributing to guiding the GCF and stakeholders as a learning institution, providing strategic guidance;
- Conducting periodic independent evaluations of the GCF performance to objectively assess the results of the GCF and the effectiveness and efficiency of its activities;
- Providing evaluation reports to the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement for purposes of periodic reviews of the Financial Mechanism.¹⁷⁸

The IEU has a mandate for both discharging an accountability function and supporting a learning function.¹⁷⁹ These are central to the GCF being a learning organization as laid out in its Governing Instrument and its initial strategic plan.¹⁸⁰ The responsibilities of the IEU are as follows:

¹⁷⁸ FCCC decision 5/CP19, annex, paragraph 20. The Conference of Parties to the UNFCCC provides the following guidance on the function of the IEU: “The reports of the GCF should include any reports of the independent evaluation unit, including for the purposes of the periodic reviews of the financial mechanism of the Convention.”

¹⁷⁹ GCF/B.16/18

¹⁸⁰ GCF/B.12/20, annex I

- a) Evaluation: The IEU will undertake independent overall, portfolio, country, thematic, programme evaluations that inform the GCF strategic result areas.¹⁸¹ In key cases, it will also support and undertake project evaluations. The IEU will use relevant and innovative methods and an independent peer-review mechanism that will provide guidance on independent evaluations. The vision, criteria, and guidelines for these will be laid out in the independent evaluation policy. The IEU is also mandated to independently peer review and attest the quality of the GCF self-evaluation;¹⁸²
- b) Advisory and capacity support: The IEU is required to advise the Board by synthesizing findings and lessons learned from its evaluations. These findings and lessons learned are expected to also inform the Executive Director of the Secretariat and other GCF stakeholders.¹⁸³ The IEU will engage closely with the independent evaluation units of intermediaries and implementing entities of the GCF, including National Designated Authorities (NDAs) and Accredited Entities (AEs). It will provide support to catalyse learning and build and strengthen the NDAs and AEs evaluation capacity. It will also provide guidelines and support evaluation-related research that helps produce rigorous evidence in the GCF result areas;
- c) Learning: The IEU will support the GCF in its learning function by ensuring that recommendations from independent evaluations are incorporated into the Secretariat's functioning and processes. This includes recommending possible improvements to the GCF performance indicators and its initial results framework, after accounting for international experience and the results of the evaluation;¹⁸⁴
- d) Engagement: The IEU will actively participate in relevant evaluation networks to ensure that it is at the frontier of evaluation practice. The IEU will involve its own staff and staff from the NDAs and AEs in evaluations wherever feasible and appropriate.¹⁸⁵ In addition, the IEU will support knowledge hubs of low-emission and climate-resilient pathways.¹⁸⁶

J. RATIONALE AND CONTEXT

In carrying out the Fund's mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways, the GCF will effectively and equitably manage environmental and social risks and impacts, and improve outcomes of all the GCF-financed activities. The Governing Instrument for the Green Climate Fund stipulates on the Environmental and Social Safeguards (ESS) that:

*"The Board will agree on and adopt best practice environmental and social safeguards, which shall be applied to all programmes and projects financed using the resources of the Fund."*¹⁸⁷

The Governing Instrument notes furthermore that:

*"The Fund will support the strengthening of capacities in recipient countries, where needed, to enable them to meet the Fund's environmental and social safeguards, based on modalities that shall be developed by the Board."*¹⁸⁸

¹⁸¹ GCF/B.05/03, annex I

¹⁸² GCF/B.12/12; GCF/B.12/20

¹⁸³ GCF/B.06/09, annex III

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

¹⁸⁶ GCF/B.05/03, annex I

¹⁸⁷ FCCC/CP/2011/9/Add/, Decision 3/CP.17/ Annex (2), 65.

¹⁸⁸ FCCC/CP/2011/9/Add/, Decision 3/CP.17/ Annex (2), 66.

The Board requested the Secretariat to develop an Environmental and Social Management System (ESMS) for the GCF.¹⁸⁹ An ESMS is a set of management processes and procedures that allows the GCF to identify, analyse, avoid, control, and minimize the potential adverse environmental and social impacts of its activities, maximize environmental and social benefits, and improve the environmental and social performance of the GCF and its activities consistently over time. The Board further identifies the key elements of the ESMS, including the Environmental and Social Policy, the interim Environmental and Social Safeguards (ESS) standards, and management processes and procedures, including organizational capacity and functions.¹⁹⁰

An ESMS is defined as an overarching framework for achieving improvements in environmental and social outcomes while addressing any unintended adverse impacts of the GCF-financed activities. The ESMS provides an opportunity for the GCF to incorporate environmental and social considerations into its decision-making and operations in ways that it identifies opportunities to “do good” by improving environmental and social outcomes, going beyond the safeguard measures of “do no harm.”¹⁹¹ An ESMS allows the GCF to integrate environmental and social considerations in a systematic, coherent, and transparent manner, and at three entry points:

- a) At the facilities and operations level, through the environmental and social management practices of the GCF, by avoiding and minimizing any adverse environmental impacts from its own activities and operations while promoting environmental and social sustainability, and ensuring institutional capacity and stakeholder involvement, among others;
- b) At the activities level, through environmental and social due diligence and risk assessment, and through a management framework tailored to the nature and scale of the activities and the magnitude of environmental and social risks and impacts; and
- c) At the policy level, by establishing the policies and processes for integrating sustainability considerations into the strategies and decisions.

The structure of the current ESMS has the following elements consistent with Decision B.07/02, para (n):

- a) An environmental and social policy that sets out the objectives, scope, principles, roles, and responsibilities, and general requirements to effectively manage environmental and social risks and impacts and improve outcomes. The policy presents the commitments of the GCF and articulates the principles to which the GCF will hold itself accountable;
- b) ESS standards which require that all potential environmental and social risks and impacts from the GCF-financed activities are identified, assessed and addressed through appropriately scaled management measures that avoid, where avoidance is not possible, minimize and mitigate residual impacts, and where such impacts cannot be avoided and mitigated, remedied, restored, or provided with adequate and equitable compensation.

The consideration of environmental and social safeguards plays an important role in the accreditation of entities. The Board agreed on a so-called fit-for-purpose accreditation approach that matches the nature, scale, and risks of proposed activities to the application of the initial fiduciary standards and interim Environmental and Social Safeguards.¹⁹² While the fit-for-purpose accreditation approach is employed, the Board decided “*to aim to complete the process of developing the Fund’s own Environmental and Social Safeguards (ESS), which will build on*

¹⁸⁹ GCF/B.07/02, (n)

¹⁹⁰ GCF/B.07/02, annex VI

¹⁹¹ GCF/B.19/06, 10

¹⁹² GCF/B.07/02, (j)

evolving best practices, within a period of three years after the Fund becomes operational, and with inclusive multi-stakeholder participation."¹⁹³ The operationalization has not been defined further.

Based on the GCF's Board documentation, the consideration and establishment of environmental and social safeguards are based on the following **main guiding principles. The ESMS links with existing frameworks and policies**¹⁹⁴: In order to establish an effective and operational ESMS, the system "*must be able to harness GCF resources and existing policies.*"¹⁹⁵ The ESMS will be linked and implemented according to existing relevant policies and practices of the GCF, highlighted, and further explained below.

- 1. The ESS link to the Accreditation Framework:** Based on the initial guiding framework for the GCF accreditation process¹⁹⁶ and through the fit-for-purpose approach,¹⁹⁷ as mentioned above, the accreditation process considers the capacity, competency and track record of entities in applying their own environmental and social safeguards, and the consistency with the GCF's interim ESS standards and other standards used, such as the IFC Performance Standards. According to the decision text, the accreditation process will review entities to determine if they have the capacity to implement the Fund's interim ESS standards.¹⁹⁸ The applicant entity also needs to be able to evaluate the executing entities' capacity and commitment to implement the Fund's ESS standards.¹⁹⁹
- 2. The ESS link to the GCF's Gender Policy and Action Plan:** The GCF Gender Policy and Action Plan, including the Gender Toolkit produced by the Secretariat, present the commitment of the GCF to efficiently contribute to gender equality and ultimately produce sustainable climate change results, outcomes, and impacts.²⁰⁰ Given this structure, the gender policy and action plan build a complement to the requirements laid out by the GCF interim ESS standards, particularly by enhancing equitable access to development benefits, gender responsiveness, and inclusiveness (social inclusion). The policy and action plan are applied in conjunction with the ESMS.
- 3. The ESS link to the GCF's Indigenous People's Policy (IPP):** The IPP supports the GCF in incorporating considerations related to indigenous peoples into its decision-making while working towards the goals of climate change mitigation and adaptation.²⁰¹ This policy allows the Fund to examine, control, eliminate and reduce the adverse impacts of its activities on indigenous peoples in a consistent way and to improve outcomes over time, and is directly related to the PS 7 of the IFC Performance Standards.
- 4. The ESS link to the GCF's Risk Management Framework:** The Risk Management Framework looks at private and public sector risks, the risk registers, and appetite statements for the GCF Funding Proposals. In particular, the risk register acknowledges the ESS interim standards in mitigating risks, particularly in reference to compliance failure.
- 5. The ESS are considered for the Simplified Approval Process:** The Simplified Approval Process (SAP) for activities proposed for the GCF funding entails full consideration of the

¹⁹³ GCF/B.07/02, (d)

¹⁹⁴ GCF/B.19/06, 16

¹⁹⁵ Ibid.

¹⁹⁶ GCF/B.07/02, annex I

¹⁹⁷ GCF/B.08/03, annex II

¹⁹⁸ GCF/B.07/11

¹⁹⁹ This process is described further in GCF/B.07/11, annex I.

²⁰⁰ GCF/B.09/11, annexes XIII and XIV

²⁰¹ GCF/B.15/01

ESMS, particularly the ESS standards, ensuring that the appropriate environmental and social requirements are met by activities eligible under such approval process.²⁰²

6. **The ESS are considered by the Independent Redress Mechanism (IRM):** Established under the Governing Instrument of the GCF, the IRM addresses grievances and complaints by communities and people. Such grievance on adverse impacts that result or may result from the GCF activities and the omission to follow operational policies and procedures, including the ESS standards, can be filed through the IRM.

K. OBJECTIVES

During the 21st meeting of the GCF Board, the 2019 work plan of the Independent Evaluation Unit (IEU) was approved, which lays out the different independent evaluations to be conducted in 2019. One of the evaluations to be conducted by the Independent Evaluation Unit will be the independent evaluation of the Environmental and Social Safeguards (ESS) of the Green Climate Fund.²⁰³

Furthermore, the GCF's Environmental and Social Policy states that the ESMS should be linked to the GCF evaluation process and the Independent Evaluation Unit. It indicates that "*evaluations may be undertaken on the effectiveness of implementing the GCF ESS standards.*"²⁰⁴

The ESS evaluation seeks to provide the Board, Secretariat, Management, and all other stakeholders with information on how well the current ESS framework and ESM system serve to:

- Prevent, mitigate and manage potential adverse environmental and social impacts of GCF activities, programmes, and projects;
- Improve the environmental and social performance of the Fund and its portfolio over time; and
- Capture results with respect to the design and implementation of GCF projects.

Evaluation criteria

The ESS evaluation considers the evaluation criteria mentioned in the TOR of the IEU, and focuses on the following selection of evaluation criteria:

- a) Coherence
- b) Relevance
- c) Effectiveness
- d) Efficiency
- e) Country ownership and recipients' needs
- f) Sustainability

L. SCOPE OF WORKS

Under this TOR, the selected firm shall carry out the following mandates (please refer to the Timeline for details):

1. **Deliver an Approach Paper:** The firm will deliver a detailed Approach Paper (in line with the formatting guidelines provided by the IEU), that outlines – among others - the main report and the annexes, and explains the methodology, the tools, instruments, protocols, and the expected

²⁰² GCF/B.18/06, annex X

²⁰³ GCF/B.21/13, 5 (c)

²⁰⁴ GCF/B.19/06, 16 (k)

process that the evaluation will have to follow within a detailed and time-intensive delivery timeline.

2. Attend key meetings, conduct online surveys, and webinars, perform data collection in sample countries and with key informants and analyze the data collected.
3. Submit the inception report: Once initial consultations, initial groundwork including country visits have been undertaken, and comments have been received from the IEU, the firm will draft and present the inception report.
4. Submit country reports: Based on the consultations and feedback received during or related to country visits, the team will submit country reports and country case studies after the country missions have been completed (finalization date of the data set).
5. Submit interim (learning) products: Stand-alone studies will summarize methods and findings from different parts or stages of the evaluation and be methods-specific. These products will help inform the various drafts of the report. Interim products may also be made public along the road. The firm will produce these interim products, as agreed upon with the IEU, during the implementation phase.
6. Submit final report: The firm shall draft the zero-draft of the factual report, including all annexes and appendices as stipulated in the approach paper, and then submit the complete final report with key findings and actionable recommendations, including those that reflect key strategic and learning messages and inputs from the IEU.

M. EVALUATION QUESTIONS AND METHODS

To address the evaluation criteria laid out in Section IV Objectives, the evaluation team, consisting of the consultants of the selected firm and the IEU, will look at the GCF's Environment and Social Safeguards from five perspectives:

- a) **The GCF structure:** The ESS framework, policies, and standards employed by the GCF vis-à-vis other policies, and ESS policies used in the wider climate change landscape.
- b) **The process and operationalization of the GCF,** based on the accreditation process, capacity, readiness, and preparatory programmes to establish country ownership, and link made at the country level, including in respect to the National Designated Authorities (NDAs).
- c) **The process of GCF funding proposals,** both approved and in the pipeline, in particular on design, development, and approval of the GCF Funding Proposals.
- d) **Activities under implementation:** The process and progress of the GCF-funded activities, projects, and programmes under implementation.
- e) **Likely results and impacts of the GCF's investments,** in references to activities, projects, and programmes under implementation.

Given the IEU's evaluation criteria, the different perspectives focus on a particular subset of evaluation criteria.

Table A - 5. Evaluation questions vs. criteria

	COHERENCE	RELEVANCE	EFFECTIVENESS	EFFICIENCY	COUNTRY OWNERSHIP,	SUSTAINABILITY
How coherent and relevant is the GCF's ESS to other GCF policies and frameworks, notably the IF, Risk MF, compliance policy, gender policy, RMF, and MAF?	X	X				
How efficient and effective have the GCF's ESS/ESMS been in preventing/managing/mitigating adverse environmental/social impacts and in improving environmental and social benefits of GCF operations in building capacities of the NDAs and AEs?			X	X	X	X
How efficient and effective have the GCF's ESS/ESMS been in preventing/managing/mitigating adverse environmental/social impacts and in improving environmental/social benefits in the GCF project development and approval?			X	X	X	
How efficient and effective have the GCF's ESS/ESMS been in preventing/managing/mitigating adverse environmental/social impacts and in improving environmental/social benefits during the implementation of GCF projects?	X		X	X		X

Derived from the main objective of this evaluation, the evaluation will address the following set of four main evaluation questions and subsequent sub-questions.

- 1. How coherent and relevant is the GCF's ESS to other GCF policies and frameworks, notably the IF, Risk MF, Compliance Policy, Gender Policy, RMF, and MAF?**
 - a. To what extent is the current GCF's ESS policy and action plan relevant to and coherent with ESS policies applied in the international climate change landscape (OECD, UNFCCC/COP, GEF, AF, CIF, and WB)?
 - b. To what extent does the current ESS policy represent the extent of what should be covered in an ESS policy? Where does the current GCF ESS policy reflect the IFC Performance Standards?
 - c. To what extent have the GCF's organizational structure and processes facilitated the effective and efficient implementation of safeguard policies (ESS, IP, and gender)?
 - d. To what extent has the implementation of the ESS been affected by other GCF policies, frameworks, and guidelines?
 - e. Are the responsibilities for all stakeholders on the ESS and ESMS clearly defined (by the GCF Secretariat) and communicated (to stakeholders)?
- 2. How efficient and effective have the GCF's ESS/ESMS been in preventing/managing/mitigating adverse environmental/social impacts and in improving environmental and social benefits of GCF operations in building capacities of the NDAs and AEs?**

- a. How effectively have the ESS/ESMS been applied prior, during, and after the accreditation of entities/ accreditation process?
 - b. How effectively have the ESS been applied during national stakeholder consultations convened by the NDA?
 - c. To what extent do the GCF Implementing Entities (IEs)/Executing Entities (EEs) and Accredited Entities (AEs) demonstrate the capacity to effectively enforce safeguards?
 - d. What support, in the form of Readiness Preparatory Support Programme and PPF grants, has been provided to NDAs to help increase the capacity to apply ESS and prepare for ESS?
 - e. To what extent do national strategies, NAPs, and country programmes reflect safeguards and align with the GCF's ESS?
- 3. How efficient and effective have the GCF's ESS/ESMS been in preventing/managing/mitigating adverse environmental/social impacts and in improving environmental/social benefits in the GCF project development and approval? (from concept notes, funding proposals and SAP to iTAP)**
- a. How effectively have the GCF's ESS been applied during GCF project development?
 - b. How effectively have the GCF's ESS been applied in Enhanced Direct Access, which devolves decision-making to the accredited entity while ensuring strong country ownership and multi-stakeholder engagement (direct involvement of civil society and other stakeholders)?
 - c. How effectively and efficiently have the GCF's ESS been applied during the approval of the project at GCF (including the GCF Secretariat, iTAP, and Board)?
 - d. How well do funding proposals reflect the ESS? And, to what extent has the application of the ESS changed over time in funding proposals?
 - e. To what extent does the application of the ESS differ between FPs and SAPs?
- 4. How efficient and effective have the GCF's ESS/ESMS been in preventing/managing/mitigating adverse environmental/social impacts and in improving environmental/social benefits during the implementation of GCF projects?**
- a. How effectively have the ESS been applied at the project level in projects under implementation?
 - b. To what extent have the GCF's ESS helped to shift from a "do no harm" to a "do good" attitude? To what extent should the safeguard policy not just be about safeguarding but also about enhancing environmental quality?
 - c. To what extent are environmental and social adverse impacts/benefits incorporated and expressed in the GCF's logic models?
 - d. To what extent have the GCF's ESS helped to strengthen countries'/NDA's capacity to manage/mitigate social and environmental risks?
 - e. To what extent has the GCF Independent Redress Mechanism helped to address emerging concerns/complaints and to mitigate risks related to the ESS?
 - f. Has the ESMS been used effectively and continuously to monitor social and environmental risks and benefits?

- g. To what extent do adaptation and mitigation (GCF themes) show differences in the application of ESS? And, is there a difference between approved and implemented GCF projects?

To address these questions, the IEU will use a mix of complementary methods, including document reviews of Board documentation, frameworks, policies, guidelines, and administrative procedures, portfolio analysis of the GCF's funding proposals, portfolio analysis of the Annual Progress Reports (APRs), analysis of GCF processes, consultations within the Fund's Secretariat, in particular the Division for Country Planning (DCP), Division for Mitigation and Adaptation (DMA), Private Sector Facility (PSF), Office of Internal Audit (OIA), Office for Risk Management and Compliance (ORMC) and Office of Portfolio Management (OPM), consultations with Board members, Advisors to Board Members, Active Observers of the Civil Society Organisations (CSOs) and Private Sector Organisations (PSOs), local CSOs/PSOs, Regional Advisors, NDAs, AEs, and IEs/EEs and other relevant stakeholders, surveys, in particular perception surveys, interviews via BlueJeans/Skype/telephone, consultation with the UNFCCC and other institutions of the climate change landscape. The evaluation team will use and expand the IEU database, which was first established in 2018 to build on evidence gathered through previous IEU evaluations and other evaluative works. The evaluation team will also review documentation/reports/complaints that have been filed through the IRM, and other feedback/complaint mechanisms and the CSO reports that have been produced outside the GCF structure. The table below provides a more detailed overview of the methods being employed for the different modules and evaluation questions.

Table A - 6. Evaluation questions vs. methods used

	DESK REVIEW OF BOARD DOCUMENTS	DESK REVIEW OF FUNDING PROPOSALS	DESK REVIEW OF SECRETARIAT'S REVIEWS (E.G. ACCREDITATION)	REVIEW OF GCF PROCESSES (ACCREDIT., ITAP, SAPs, FPs, CNS, PIPELINE)	CONSULTATION WITH SECRETARIAT	CONSULTATION WITH CSOs, PSOs, AOs, BMs, ADVISORS, RAs	CONSULTATION WITH NDAs, LOCAL STAKEHOLDERS	CONSULTATION WITH AEs, EEs/IEs	SURVEYS/ PERCEPTION SURVEYS	PORTFOLIO ANALYSIS	TIME LAG ANALYSIS	APR ANALYSIS AND IMPLEMENTATION ANALYSIS	REVIEW OF POLICIES AND FRAMEWORKS/ BENCHMARKING	REVIEW OF GCF POLICIES, FRAMEWORKS, GUIDELINES, AIs	REVIEW OF NAPs, PPFs, COUNTRY PROGRAMMES, NATIONAL STRATEGIES	IEU EVALUATIONS AND IEU DATABASE	COUNTRY CASE STUDIES AND FIELD CASE STUDIES OF GCF PROJECTS (VALID.)	REVIEW OF IRM AND FEEDBACK/ COMPLAINT MECHANISMS	REVIEW OF ENHANCED DIRECT ACCESS	REVIEW OF BOARD MEETING DOCUMENTATION, CSO REPORTS/ COMMENTS (BM)	CSO REPORTING OUTSIDE THE GCF
1. How coherent and relevant are the GCF's ESS to other GCF policies and frameworks?	X		X	X	X	X			X				X	X							
2. How efficient and effective have the GCF's ESS/ESMS been in preventing/mitigating adverse E&S impacts and in improving E&S benefits of GCF	X		X	X	X	X	X	X	X	X	X	X		X	X	X	X				

	DESK REVIEW OF BOARD DOCUMENTS	DESK REVIEW OF FUNDING PROPOSALS	DESK REVIEW OF SECRETARIAT'S REVIEWS (E.G. ACCREDITATION)	REVIEW OF GCF PROCESSES (ACCREDIT., ITAP, SAPs, FPs, CNS, PIPELINE)	CONSULTATION WITH SECRETARIAT	CONSULTATION WITH CSOs, PSOs, AOs, BMS, ADVISORS, RAs	CONSULTATION WITH NDAs, LOCAL STAKEHOLDERS	CONSULTATION WITH AEs, EEs/IEs	SURVEYS/ PERCEPTION SURVEYS	PORTFOLIO ANALYSIS	TIME LAG ANALYSIS	APR ANALYSIS AND IMPLEMENTATION ANALYSIS	REVIEW OF POLICIES AND FRAMEWORKS/ BENCHMARKING	REVIEW OF GCF POLICIES, FRAMEWORKS, GUIDELINES, AIs	REVIEW OF NAPs, PPFs, COUNTRY PROGRAMMES, NATIONAL STRATEGIES	IEU EVALUATIONS AND IEU DATABASE	COUNTRY CASE STUDIES AND FIELD CASE STUDIES OF GCF PROJECTS (VALID.)	REVIEW OF IRM AND FEEDBACK/ COMPLAINT MECHANISMS	REVIEW OF ENHANCED DIRECT ACCESS	REVIEW OF BOARD MEETING DOCUMENTATION, CSO REPORTS/ COMMENTS (BM)	CSO REPORTING OUTSIDE THE GCF
operations in building capacities of the NDAs and AEs?																					
3. How efficient and effective have the GCF's ESS/ESMS been in preventing/mitigating adverse E&S impacts and in improving E&S benefits in the GCF project development and approval?	X	X	X	X		X	X	X		X	X								X	X	

	DESK REVIEW OF BOARD DOCUMENTS	DESK REVIEW OF FUNDING PROPOSALS	DESK REVIEW OF SECRETARIAT'S REVIEWS (E.G. ACCREDITATION)	REVIEW OF GCF PROCESSES (ACCREDIT., ITAP, SAPs, FPs, CNS, PIPELINE)	CONSULTATION WITH SECRETARIAT	CONSULTATION WITH CSOs, PSOs, AOs, BMS, ADVISORS, RAs	CONSULTATION WITH NDAs, LOCAL STAKEHOLDERS	CONSULTATION WITH AEs, EEs/IEs	SURVEYS/ PERCEPTION SURVEYS	PORTFOLIO ANALYSIS	TIME LAG ANALYSIS	APR ANALYSIS AND IMPLEMENTATION ANALYSIS	REVIEW OF POLICIES AND FRAMEWORKS/ BENCHMARKING	REVIEW OF GCF POLICIES, FRAMEWORKS, GUIDELINES, AIs	REVIEW OF NAPs, PPFs, COUNTRY PROGRAMMES, NATIONAL STRATEGIES	IEU EVALUATIONS AND IEU DATABASE	COUNTRY CASE STUDIES AND FIELD CASE STUDIES OF GCF PROJECTS (VALID.)	REVIEW OF IRM AND FEEDBACK/ COMPLAINT MECHANISMS	REVIEW OF ENHANCED DIRECT ACCESS	REVIEW OF BOARD MEETING DOCUMENTATION, CSO REPORTS/ COMMENTS (BM)	CSO REPORTING OUTSIDE THE GCF
4. How efficient and effective have the GCF's ESS/ESMS been in preventing/mitigating adverse E&S impacts and in improving E&S benefits during implementation?	X	X		X	X	X	X	X	X	X	X	X			X		X	X			X

Source: Authors categorization of methods according to the evaluation protocol, see Appendix A.

The evaluation will produce recommendations concerning GCF processes, policies, frameworks, guidelines, design, and adjustment opportunities for funding and accreditation proposals that provide strategic guidance to the GCF Board. The evaluation will also highlight lessons learned that will help the Secretariat to adapt the Fund's activities, investments, and procedures.

N. STRUCTURE OF THE EVALUATION TEAM AND RESPONSIBILITIES

The evaluation team that will work on the ESS will comprise and be led and managed by IEU senior staff, under the direction and overall responsibility of the Head of the IEU, and include the IEU data team, the consultancy firm to be contracted under the TOR, and others including a consultant firm who will start the Forward-looking Performance Review of the GCF, as it will be detailed in the Approach Paper.

The responsibilities of the consultancy firm will involve finalizing the approach paper including the evaluation matrix, annotated review of documents, data needs, analytical tools (instruments, protocols), and the final report outline; being an active part of ESS evaluation workshops and meetings, both in Songdo and online; collecting new data required by the ESS evaluation in the sampled countries as well as with key informants, directly as well via online tools and surveys and triangulate and validate the findings; and drafting the zero-draft and intermediate reports that will lead to the final report including conclusions, recommendations, executive summary, and all annexes, and the learning products to be detailed in the approach paper. The firm will be particularly expected to add significant value in terms of the lessons to be learned and the strategic, formative aspects of the ESS evaluation that will derive from - and be based on - the evidence gathered during the evaluation.

O. TIMELINE AND DELIVERABLES

The ESS evaluation will combine different work components. Some of these include framework and policy reviews, benchmarking of safeguards in the climate change landscape, country case studies of GCF-funded activities, in particular GCF projects under implementation, a GCF portfolio analysis, and consultations with the GCF Secretariat, Active Observers, and other stakeholders. The ESS evaluation report will be brought forward to the Board meeting in October 2019; thus, the work must be completed and submitted to the Board no later than 15 September 2019.

The timeline for this evaluation and key deliverables are as follows:

Table A - 7. Timeline and deliverables

DATE	TASKS	KEY DELIVERABLES
15th Jan - 30th Jan 2019	Approach paper after scoping of the ESS Evaluation: using relevant information provided by the IEU, initial portfolio analysis, board and other documentation reviewed, survey protocol finalized, selection of target countries finalized, and evaluation criteria discussed/finalized with the IEU	Approach paper by the firm
25th Feb 2019	Consultations with the CSOs and Active Observers	In consultation with the firm and IEU
15th Jan - 25th Feb 2019	Benchmarking vs. other institutions and their ESS policy/framework: other institutions - benchmarking: WB, CIF, GEF, AF, NAMA Facility; IDB, ADB, AfDB, EBRD, EIB, UNDP	Report on benchmarking (as part of the inception report) by the firm

INDEPENDENT EVALUATION OF THE GCF'S ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND THE ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM
FINAL REPORT - Annexes

DATE	TASKS	KEY DELIVERABLES
15th Jan - 1st Mar 2019	Consultation with RAs in Africa, Asia, LA and SIDS	Report on consultations with RAs (as part of the inception report) by the firm
15th Jan - 1st Mar 2019	Initial country visits (2-3 countries) (a component of the inception report), including KIIs, FGDs and online surveys with stakeholder groups, such as CSOs, PSOs, AEs, NDAs	Country reports/draft case studies by country visit teams
15th Jan - 1st Mar 2019	Desk review and finalization of the inception report, including a presentation on initial results	Inception report including initial results by the firm
26th - 28th Feb 2019	B.22 Consultations with CSOs, PSOs, Board Members/Advisors, B.22 side event by the firm	Report on consultations/focus group discussion during the B.22 done by the team
1st Mar - 1st June 2019	Report writing period starts (in parallel to other components: country visits, portfolio analysis, consultations with stakeholders, surveys)	
1st Mar - 30th Apr 2019	Country visits/Country case studies on ESS project design and implementation based on GCF Annual Progress Reports (4-5 countries)	Country reports/draft case studies done by the team, including validation of country cases with stakeholders
30th April 2019	Updating of the IEU database based on GCF Annual Progress Reports from the AEs done jointly by the IEU and firm	
30th Mar 2019	Update/Follow-up/Analyse data from surveys (started in Jan 2019)	Report on survey results done by the team
30th Apr - 15th Jun 2019	Country visits/Country case studies on ESS project design and implementation based on GCF Annual Progress Reports (4-5 countries)	Country reports/draft case studies done by the team, including validation of country cases with stakeholders
15th Jun 2019	Updating of the IEU database based on GCF Annual Progress Reports from the AEs done jointly by the IEU and firm	Note: Data as of 15th Jun 2018 (cut-off date for all data)
1st May - 30th June 2019	Data Analysis	Report/Debrief on portfolio and other analysis results done by the team
15th Jul 2019	Zero draft report ready/ factual report	Zero draft report/ factual report ready by the firm
15th Jul - 1st Aug 2019	Internal IEU review process	
1st Aug 2019	A draft report shared with DCP, OPM, DMA, PSF heads	
1-15 Aug 2019	Presentation of emerging findings to the GCF/Secretariat	
15th Aug 2019	Discussion document (draft evaluation report)/ factual report plus recommendations	Draft Factual report plus recommendations ready

DATE	TASKS	KEY DELIVERABLES
15 Aug - 15 Sep 2019	Webinars 2x to CSOs	
15 Aug - 15 Sep 2019	Webinars 2x to Board and Advisors	
15 Aug - 15 Sep 2019	Development of Scenarios and time for discussions on Management response for the Secretariat	
15th Sep 2019	Final report to the Board; submission to OGA (21 days in advance)	Final report by the firm
15th - 17th Oct 2019	Board meeting B.23	

Table A - 8. Deliverables for payments

	DELIVERABLES FOR PAYMENT	EXPECTED DATES OF PAYMENT	PAYMENT (% OF CONTRACTUAL PRICE)
1	Approach paper	30 January 2019	30%
2	Inception report	01 March 2019	20%
3	Country mission reports	15 June 2019	10%
4	Zero draft report/ Factual report	15 July 2019	20%
5	Final report	15 September 2019	20%

P. EXPERTISE

A qualified team requires the following attributes to undertake this ESS evaluation successfully:

- a) Teams should have strong in-team expertise and experience in environmental and social safeguards and policies, including but not limited to, indigenous people policies, gender policies, ESS policy, and risk management frameworks and policies.
- b) Teams should have strong expertise and experience in climate change and climate finance.
- c) Teams should have in-depth experience with mixed methods, in addition to pure qualitative and quantitative methods, process tracing, meta-analyses, and counterfactual methods.
- d) Teams should, at a minimum, be extremely familiar with tools referring to the methods above, such as FGDs, KIIs, and synthesis tools.
- e) Teams should have in-team expertise with environmental and social safeguards, in particular, the IFC Performance Standards and the World Bank ESS standards.
- f) Teams should have qualified database search specialists and access to relevant databases.
- g) Teams should be able to commit that they will be able to produce a highly credible, well-written evaluation report in the budget and time period requested. The evaluation report will be fully owned by and a product of the IEU.

Q. APPLICATION PROCESS

The following are requested from interested teams:

- a) A statement of interest that highlights how each of the eligibility criteria have been met.
- b) Any supporting documents in support of the eligibility criteria, including but not restricted to:
 - i) CVs highlighting experience with evidence reviews, synthesis studies, and meta-analysis
 - ii) A two-page approach paper stating criteria for determining what constitutes evidence
 - iii) Three supporting publications
 - iv) A statement committing that the team will be able to undertake the review in the period stated
 - v) Availability to travel to Songdo, Korea, for a total of three weeks at a time of mutual convenience
 - vi) Commitment to ensuring that fortnightly Skype calls are undertaken to keep the IEU/GCF team up to date on progress
 - vii) Financial proposal and breakdown of costs

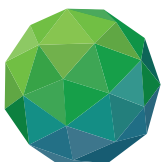
Please submit your completed application with the subject line: "IEU ESS Evaluation" in a single file to ieu@gcfund.org.

R. ADVISORY COMMITTEE

An advisory committee will be formed to inform the process and substance of this review. This will be constituted by experts in the field of evaluation, evidence, and environmental science, as well as a methodological expert.

The IEU reserves the right to edit text for brevity and clarity in subsequent reprints.

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