

MAIN QUESTIONS

SUB- QUESTIONS

KEY FINDINGS

RECOMMENDATIONS

Q1

How effectively do the GCF's Environmental and Social Policy (ESP), its management system and standards operate together to achieve their objectives, and are do they aligned with relevant international best safeguard standards and practice?

Q1.1

How well do the GCF's ESP and interim safeguard standards **complement global commitments and international law principles** in the context of the human rights and environmental obligations?

Q1.2

How coherent and relevant are the GCF's ESP and interim safeguard standards **coherent and relevant** with policies and standards applied in the **climate change landscape**?

How coherent are the GCF's ESP and interim safeguard standards with **other GCF policies and strategic goals and the GCF institutional structure**?

F1.1a

The interim ESS standards (i.e. IFC performance standards) are not **fit-for-purpose** for the GCF.

F1.1b

A range of **gaps exists** in the GCF's interim ESS standards concerning the Paris Agreements provisions and in relation to other climate funds' ESS, noting the GCF places insufficient focus on human rights, gender, and equity concerns.

F1.2a

ESMS does **not focus on 'how' to achieve social and environmental outcomes** in the design, approval, and monitoring stages of funded projects/programmes.

F1.2b

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 implementing safeguards than other climate funds.

F1.3a

GCF's Gender Policy and Indigenous Peoples Policy are in place, however the reporting on these is weak. The Gender Policy is less stringent, as it requires national contextualization.

F1.3b

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 serves the Paris Agreement as an operating entity of its financial mechanism and must be **guided by its safeguards principles/ provisions**, but it focuses on following MDBs best practice.

F2.1a

An increase in the number of DAEs applying for accreditation, with **diverse institutional identities** and ESS capacities, presents a challenge.

F2.1b

Concerns are related to the **effectiveness and efficiency of the current accreditation** process which have also been noted previously in the IEU's Forward-looking Performance Review (FPR).

F2.1c

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.

F2.1d

The ability to foster environmental and social performance through co-benefits during future project implementation is **not assessed during accreditation**.

F2.2a

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.

F2.2b

The PPF supports ESS-related considerations in the preparation of funding proposals but does not promote the inclusion of co-benefit identification and planning.

F2.2c

Processing times for the PPF are currently too long to effectively and efficiently assist the IAEs or DAEs in this aspect.

F2.2d

NDAs and DAEs or candidate DAEs are **not well informed** about access to RPSP support and the PPF concerning ESS considerations.

R1

- The GCF's planned revision of its interim ESS standards needs to **address the identified gaps and be customized to the GCF 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 and set up guidance, **reporting, and monitoring** systems for not just environmental and social risks, but also for **performance and co-benefits**.
- The GCF must address that some developing country Parties are not able to conform with GCF's interim ESS standards. This will amplify when the GCF develops its safeguards. GCF's Sustainability Team must actively seek to **learn from other agencies'** experience with direct access and strengthen and **focus on RPSP and PPF** to help support AEs with regards to ESS.

R2.1

- The GCF should consider **developing a strategy for accreditation** that aligns with the GCF's overall strategy. Specifically, re-accreditation 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, that 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.

R2.2

- 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.
- 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.

Q2

How well do GCF's organizational structure and processes address Accredited Entities and country level capacity to ensure the Environmental and Social Management System is implemented effectively?

Q2.1

How effectively does 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?

Q2.2

What support have the RPSP and PPF provided to AEs, especially DAEs, and NDAs, to help increase capacity to apply current Environmental and Social Management System, including the ESP and ESS standards?

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RECOMMENDATIONS

Q3

How effectively are the GCF's ESP and standards been effectively incorporated in project design and approval?

Q3.1

How effectively is the GCF's ESMS applied to CNs and FPs and to what extent do projects seek to achieve co-benefits?

F3.1a

The **distribution of ESS risk categories** in the GCF portfolio is expected given the scale of the GCF portfolio.

F3.1b

The GCF Secretariat ESS/Sustainability Team conducts a systematic due diligence of the ESS risk component of FPs as part of the Secretariat review. However, the due diligence does **not include an assessment of environmental and social performance** (over and above risk mitigation) nor a focus on identifying and evaluating co-benefits.

Q3.2

How effectively and efficiently has the GCF's ESMS been applied in the approval process and FAAs?

F3.2a

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.

F3.2b

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.

F3.2c

A majority of ESS conditions attached to FAAs are "**covenants**" – that is, they do not specify a time frame for their fulfillment. It raises concerns with regard to the efficient tracking of them through current tools, based on AE's self-reporting.

R3.1

- The GCF should **strengthen the identification of E&S performance and co-benefits** and ensure they are robustly assessed and reported during the due diligence process by the Secretariat.
- The GCF's investment criterion "**Sustainable Development Potential**" **needs to be better defined** and should include equity as a consideration.
- The GCF should **strengthen and focus on the PPF** to help prepare projects for E&S performance and co-benefits.

R3.2

- The GCF should **establish procedures for addressing CSO** active observer comments on FPs related to ESS.
- 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.

Q4

How efficient and effective is the ESMS been in ensuring adequate monitoring and reporting by the AEs of ES management measures during the implementation of GCF-funded projects?

Q4.1

How well has the GCF ensured **AEs adequately monitor and report** environmental and social management measures during the implementation of GCF-funded projects?

F4.1a

Currently, **systems and tools are not place for the MAF**. This has implications for monitoring ESS compliance. Furthermore, the GCF relies solely on AEs' self-reporting through APRs.

F4.1b

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.

F4.1c

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**.

F4.1d

Limited awareness of the monitoring and accountability responsibilities within the Secretariat.

Q4.2

How helpful are GCF **grievance redress requirements and mechanisms** helped to address emerging concerns and complaints and to mitigate risks?

F4.2a

Limited awareness of available grievance redress mechanisms at all levels (AE, project and the GCF's IRM).

Q4.3

To what extent are **results and impacts** from GCF funded projects likely with regard to environmental and social performance?

F4.3a

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.

R4

- 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 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.
- The Secretariat should **develop and adopt guidance with regards 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 RMF is updated, it needs to **incorporate reporting on environmental and social impact** and outcome-level indicators.
- The GCF should **require AEs to strengthen awareness-raising** on project-level grievance redress mechanisms throughout the life cycle of the project.