

GREEN
CLIMATE
FUND

Independent
Evaluation
Unit



TRUSTED EVIDENCE.
INFORMED POLICIES.
HIGH IMPACT.



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

February 2020

Executive Summary

GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

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

EXECUTIVE SUMMARY

February 2020

© 2020 Green Climate Fund Independent Evaluation Unit
175, Art center-daero
Yeonsu-gu, Incheon 22004
Republic of Korea
Tel. (+82) 032-458-6450
Email: ieu@gcfund.org
<https://ieu.greenclimate.fund>

All rights reserved.

Second Print Edition

This evaluation is a product of the Independent Evaluation Unit at the Green Climate Fund (IEU/GCF). It is part of a larger effort to provide open access to its research and work and to make a contribution to climate change discussions around the world.

While the IEU has undertaken every effort to ensure the data in this Report is accurate, it is the reader's responsibility to determine if any and all information provided by the IEU is correct and verified. Neither the author(s) of this document nor anyone connected with the IEU or the GCF can be held responsible for how the information herein is used.

Rights and Permissions

The material in this work is copyrighted. Copying or transmitting portions all or part of this Report without permission may be a violation of applicable law. The IEU encourages the dissemination of its work and will normally grant permission promptly.

The IEU reserves the right to edit text for brevity and clarity in subsequent reprints.

Citation

The suggested citation for this evaluation is:

Annandale, Darko, David Annandale, Daniela Rey Christen, María García Espinosa, John Horberry, Joseph Mavindu Mutunga, Peter Mwandri, Jyotsna (Jo) Puri, Giang Pham, and Andreas Reumann (2020). Independent Evaluation of the Green Climate Fund's Environmental and Social Safeguards and the Environmental and Social Management System. Evaluation Report No. 5, February 2020. Independent Evaluation Unit, Green Climate Fund. Songdo, South Korea.

Credits

Head of the GCF Independent Evaluation Unit and technical lead: Dr Jyotsna Puri (Jo)

Task manager: Andreas Reumann, Principal Evaluation Officer, Independent Evaluation Unit

Editing: Beverley Mitchell, Deborah Hong, Greg Clough, Toby Pearce

Layout and design: Giang Pham

Cover photo: Kids enjoy fishing in a waterfall, Thailand, ©Pra Chid/Shutterstock.com

A FREE PUBLICATION

Printed on eco-friendly paper

CONTENTS

Foreword	v
Acknowledgements.....	vi
List of authors	vii
Abbreviations	viii
Executive summary	1
A. Introduction	2
B. Key findings and conclusions.....	3
C. Key recommendations	6

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.

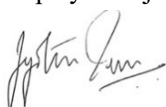
Organizations around the world recognize that to save the planet we must invoke and adopt responsible environmental, social and governance principles. As a leader in this field, the GCF needs to set the standard, since environmental and social benefits are critical for any action on climate change. Indeed,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

ACKNOWLEDGEMENTS

The Independent Evaluation of the GCF's Environmental and Social Safeguards and the Environmental and Social Management Systems was prepared by a large team of staff, consultants and an external firm, led by the GCF Independent Evaluation Unit (IEU). This work would not have been possible without the full support of all GCF partners: the GCF Board, the GCF Secretariat, accredited entities, the GCF's national designated authorities and focal points at the country level, the Accreditation Panel, the independent Technical Advisory Panel, the private sector and the civil society organization network, the UNFCCC and other representatives. The IEU especially acknowledges the many people who responded to perception surveys and interviews, participated in focus groups and helped with detailed enquiries. The GCF IEU also extends its gratitude to the governments, agencies and many project staff who kindly received evaluation team members in the field.

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. IEU team members provided critical data analysis support. They include Ms. Viktoriya Khan, Mr. Byungsuk Lee, Ms. Pamela Urbina Juarez, Ms. Elangtlhoko Mokgano, Mr. David Huang, Ms. Fatima Moussas and Ms. Nayeon Kim. Mr. Greg Clough, Ms. Beverley Mitchell, Mr. Toby Pearce and Ms. Deborah Hong edited the report, and Ms. Giang Pham designed and formatted the report for publication. Dr Archi Rastogi, Dr Martin Prowse and Dr Solomon Asfaw from the IEU also provided comments on the report.

The staff of the GCF Secretariat and the GCF's Independent Redress Mechanism provided feedback on findings in drafts of the evaluation, for which the IEU is grateful. Views expressed here do not reflect the official views of the Board of the GCF or its members or of the countries they represent. This report was submitted to the Board of the GCF at its twenty-fifth meeting in Geneva, 10-12 March 2020.

LIST OF AUTHORS

The authors of the ESS evaluation report are as follows (in alphabetical order):

FULL NAME	AFFILIATION
Darko Annandale	Climate Law and Policy
David Annandale	Climate Law and Policy
Daniela Rey Christen	Climate Law and Policy
María García Espinosa	Climate Law and Policy
John Horberry	Climate Law and Policy
Joseph Mavindu Mutunga	Independent Evaluation Unit
Peter Mwandri	Independent Evaluation Unit
Giang Pham	Independent Evaluation Unit
Jyotsna (Jo) Puri	Independent Evaluation Unit
Andreas Reumann	Independent Evaluation Unit

ABBREVIATIONS

AE	accredited entity
CSO	civil society organization
DAE	direct access entity
DBSA	Development Bank of Southern Africa
ESMS	environmental and social management system
ESP	environmental and social policy
ESS	environmental and social safeguards
FAA	funded activity agreement
FP	funding proposal
GCF	Green Climate Fund
IEU	Independent Evaluation Unit
MAF	monitoring and accountability framework
PPF	Project Preparation Facility
REDD+	reducing emissions from deforestation and forest degradation
RMF	results management framework
RPSP	Readiness and Preparatory Support Programme
UNFCCC	United Nations Framework Convention on Climate Change
WFR	Warsaw Framework for REDD+

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 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 (RPSP) and the Project Preparation Facility (PPF); GCF investment design and approval processes; and project implementation and its likely environmental and social results.

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.

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

Methods

The evaluation used a mixed-methods approach that combined qualitative and quantitative methods and data. The main data 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 GCF 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, unlike other climate funds. And it does not acknowledge responsible investing principles that are well 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 a sine qua non 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

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.

process is a checklist exercise, which, although important, is inadequate. Accreditation remains a desk 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 RPSP 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.** Therefore, 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 (AE, projects and programmes). 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 also at the project level, and all relevant FP documentation should be made public.
- Build internal (Secretariat) capacity to strengthen and build the likelihood of

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.

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.

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

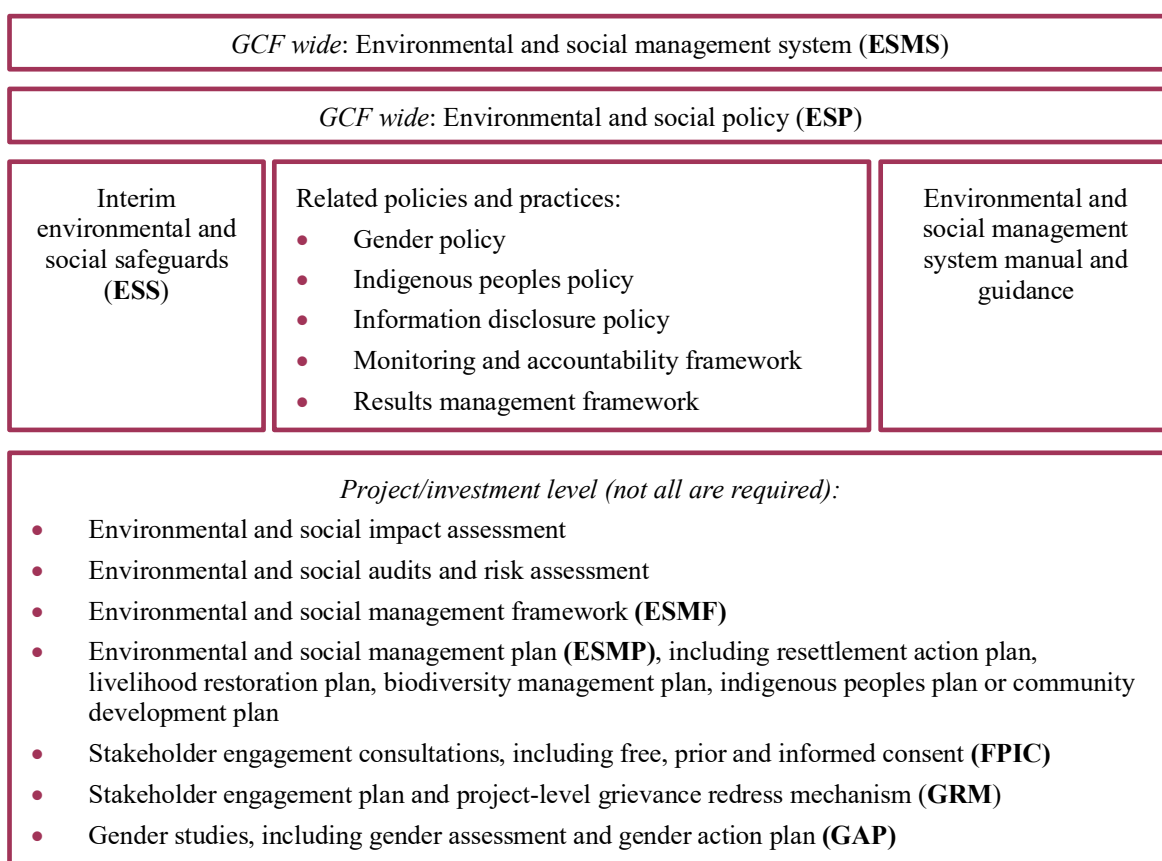
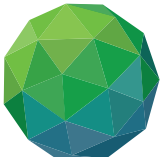


Figure 1 Key system- and investment-level ESP and guidance requirements in the GCF

Independent Evaluation Unit
Green Climate Fund
175, Art center-daero. Yeonsu-gu
Incheon 22004
Republic of Korea
Tel. (+82) 032-458-6450
ieu@gcfund.org
<https://ieu.greenclimate.fund>



**GREEN
CLIMATE
FUND**

Independent
Evaluation
Unit

