

**Call for Public Inputs:
Development of the GCF's Environmental and Social Safeguards,
Stage 1: scoping**

I. Background

1. The mission of the Green Climate Fund (GCF) is to promote the 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. In fulfilling its mission and managing the resources committed to it, GCF is dedicated to maintaining the highest integrity standards in the conduct of its operations, including with regards to environmental and social safeguards (ESS).
2. The Governing Instrument for the GCF provides 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.” At its seventh meeting (2014), the Board adopted the International Finance Corporation’s Performance Standards for Environmental and Social Sustainability (IFC Performance Standards) as the interim ESS of GCF.¹ The Board also mandated the process to develop the GCF’s own ESS, building on evolving best practices, with inclusive multi-stakeholder participation.
3. At B.23, the Board requested the Secretariat to proceed with the development of the GCF’s ESS, and selected the approach to be taken, as follows:
 - a. Retain the basic structure and thematic content of the interim ESS;
 - b. Select those innovative elements of the ESS of other institutions that are most relevant to the GCF portfolio based on experience to date and within the GCF business model and capacity to implement while acknowledging that some Accredited Entities (AEs) and third parties may have capabilities that go beyond GCF; and
 - c. Identify, include, and set forth as priorities those environmental and social impacts and risks that are uniquely or frequently associated with projects designed to promote a paradigm shift toward low-emission and climate-resilient development.
4. The development of the GCF’s ESS will aim to establish a framework to support GCF in carrying out its mandate of promoting a paradigm shift towards low emission and climate-resilient development pathways in a sustainable manner that effectively and equitably manages environmental and social risks and impacts and improves the outcomes of all its activities. The ESS shall enable GCF to achieve the commitments set forth in its Environmental and Social Policy as well as other relevant policies such as the Indigenous Peoples Policy, Updated Gender Policy, and Information Disclosure Policy, among others. The ESS shall guide the AEs, executing entities (EEs), countries, and other stakeholders in identifying, avoiding, mitigating, and managing environmental and social risks and impacts

¹ B.07/02, paragraph (c)

following the fit-for-purpose approach, with due consideration to adequate and meaningful stakeholder engagement, grievance redress, and information disclosure.

5. The development of the ESS will take place in 3 stages, as outlined in the indicative table below. Stakeholder consultations will be undertaken during each stage.

| Stage | Period (timeline is indicative) |
|-------------------------------------|---------------------------------|
| Stage 1: Review and scoping stage | June -November 2021 |
| Stage 2: Initial draft of the ESS | December2021- February 2022 |
| Stage 3: Final ESS draft | February-July 2022 |
| Finalization and publication | August-October 2022 |

6. The GCF Secretariat has contracted a firm (Mott MacDonald) with subject matter experts to support the three stages of the development of the ESS. The first stage is informed by a scoping report, a zero-order draft of which can be found in the Annex. The draft report will be revised based on, *inter alia*, the inputs received through this call for inputs and a stakeholder consultation event.
7. Ongoing, parallel work to implement the newly agreed revisions to the Environmental and Social Policy to reaffirm the Fund's commitment to addressing Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) will also inform the scoping and development of the ESS, as appropriate.

II. Requested Inputs

8. The GCF Secretariat is pleased to invite all interested organizations and entities to provide inputs to the development of the GCF's Environmental and Social Safeguards.
9. Inputs are welcome on the scoping of the ESS. These inputs can be of a general nature, or more specifically on the zero-order draft scoping report (please see the annex).

III. Deadline

10. The deadline for submissions is **2 December 2021 at 23:59 Korean Standard Time.**

IV. Submission

11. Official submission of inputs on behalf of an organization or group of organizations in Microsoft Word format should be sent via email as one document with the subject line "Call for Public Inputs: development of the GCF's ESS" to ESSconsultation@gcfund.org

The official submission should clearly indicate:

- i. Full Name;
 - ii. Title/Position;
 - iii. Organization/Affiliation;
 - iv. Contact details including telephone and e-mail address; and
 - v. Organization's Focal Point (name, surname and position).
12. Submissions should indicate whether the inputs are provided on behalf of an organization or a group of organizations. In the case where the inputs are provided on behalf of an organization, the list of organizations should be included in the official submission of inputs.

V. Disclaimer

13. Inputs provided may be publicly disclosed, made available on the GCF's website, and/or incorporated in whole or in part in a document presented to the Board. If any portion of the comments is to be kept confidential, the confidential text should:
- vi. Be clearly indicated, and
 - vii. Redaction prior to disclosure should be expressly requested in the comments.

Annex:

Zero-order draft- Scoping report

For Consultation

1 November 2021

Development of the GCF's ESS



Draft Environmental and Social Safeguards Scoping Report

Green Climate Fund

October 2021

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Draft Environmental and Social Safeguards Scoping Report

Green Climate Fund

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Contents

| | |
|--|----|
| Executive summary | 1 |
| List of acronyms | 4 |
| 1 Introduction | 1 |
| 1.1 Purpose of this report | 1 |
| 1.2 Background | 1 |
| 1.3 Rationale for the development of GCF's new Environmental and Social Safeguards | 1 |
| 1.4 GCF's objectives and approach for the update of GCF interim ESS | 2 |
| 2 The review and update process | 4 |
| 2.1 Stage 1. Review and scoping stage | 4 |
| 2.2 Stage 2. Initial draft of the ESS | 5 |
| 2.3 Stage 3. Final ESS draft | 5 |
| 3 Summary of findings from the E&S analysis | 6 |
| 4 Guiding principles for the update of GCF ESS | 9 |
| 5 Programme for the review and update of the interim ESS | 11 |
| | |
| Tables | |
| Table 1.1 Programme for updating the GCF ESS standards | 11 |

Executive summary

1. Introduction

The Green Climate Fund (GCF) has a mandate for investing in activities that support a paradigm shift towards climate mitigation and adaptation. GCF requires compliance with its interim Environmental and Social Safeguards (ESS) which, at present, comprises the performance standards of the International Finance Corporation (IFC).

The initial guiding framework for the GCF accreditation process provides that once GCF has built up a track record of experience and lessons learned, an in-depth review of its interim ESS will be conducted. Given that the GCF has gained experience working with a coherent set of standards, it is appropriate for the GCF to examine its specific requirements and its implementation mechanisms (the GCF accredited entities (AEs) and executing entities EEs).

The GCF Board, in their 23rd meeting in 2019, agreed that the review and update of the interim ESS would follow the approach of maintaining the interim ESS with revisions and enhancements that took into account innovative approaches of other similar institutions as well as to have particular focus on the GCF's mandate.

The approach which is set out in this scoping report follows this agreed approach by the GCF Board.

2. The review and update process

The development of GCF's ESS will be structured in three stages:

Stage 1. Review and scoping stage. The **review and analysis of E&S safeguards issues** (already completed) has included the review of environmental and social issues relevant to GCF mandate, detailed comparisons of recently updated ESS standards and requirements of various institutions, and the analysis of the results of IEU's evaluation of the ESS and ESMS). Discussion with internal stakeholders have also been held.

External stakeholder consultations at the end of the review and analysis phase will be organised by GCF, involving call for public inputs to the scoping report and the organisation of a webinar to discuss the findings and approach for the development of the GCF ESS

Stage 2. Initial draft of the ESS, retaining the basic structure and thematic content of the interim ESS and incorporating additional items as per findings in stage 1. The ESS report will also incorporate a qualitative analysis of potential costs and benefits from the incorporation of the updated ESS. Similar to stage 1, the draft ESS report will be disclosed for discussion with internal stakeholders at GCF, and for external stakeholder consultations, including call for public inputs to the draft ESS report and the organisation of a webinar with participation of ESS experts from the four developing regions².

Stage 3. Final ESS draft, will involve the finalisation of the ESS, building on the draft ESS and taking into consideration the inputs received during stage 2 consultations. The final (post consultation) ESS report will be presented to the GCF Board for its consideration

3. Summary of findings from the E&S analysis

² Africa, Latin America and the Caribbean, Eastern Europe and Central Asia, and Asia and Pacific

This chapter presents a summary of findings from the review and analysis of E&S safeguards and contains some of the innovative approaches adopted by the institutions analysed.

Independent Evaluation Unit (IEU). The analysis undertaken by GCF's Independent Evaluation Unit (IEU) led to the overarching conclusion that the GCF interim ESS "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 (or co-benefits) and instead focus on assessing, mitigating and managing environmental and social risks and impacts". Alongside this consideration, key recommendations by the IEU included also the alignment of the ESS to other peer climate funds, and the need to address gaps identified with regard to, among others, human rights, gender and equity concerns.

Review and comparison of the ESS of eight institutions. The review and comparison of the ESS of eight institutions was undertaken with the aim to identify those safeguarding measures that go beyond the GCF's interim ESS (IFC plus), and as such can enable key trends across multiple other institutional ESSs to be identified.

Climate change is incorporated into the ESS standards of the organisations analysed in a spectrum of ways, from the use of standalone standards on climate change and disaster risk, to addressing climate change within existing standards but still going beyond IFC PS.

PS1. Identification and management of E&S issues. A comprehensive approach to the identification and management of E&S issues is observed in other institutions, which supplement IFC PS, heavily focused on private sector projects and project preparation and "pre-approval" requirements. Stronger focus is observed in recently adopted ESS on the upholding of human rights, and greater attention is placed in relevant issues such as contractor management, third party responsibilities or associated facilities.

PS2. Labour and working conditions. More specific standards in relation to workers' terms and conditions and human resource systems are described in some ESSs. New requirements are found which relate to gender-based violence, harassment and sexual exploitation and abuse.

PS3. Resource efficiency and pollution prevention. Requirements for detailed water balance or assessments, as well as consideration of gross GHG emissions (i.e. consideration of both direct and indirect emissions) are required in some of the ESS reviewed.

PS4. Community health, safety, and security. The combination of occupational and community health and safety by some organisation was observed in the review, with also various standards signposting road safety and traffic impacts as an important community health and safety consideration.

PS5. land acquisition and involuntary resettlement. Relevant new requirements and more detail is observed in elements such as women's involvement in land acquisition and displacement, forced evictions, legacy issues, voluntary land donation, or climate exposure protection in replacement land, among others.

PS6. Biodiversity conservation and sustainable management of living natural resources. Relevant additions include a focus on the precautionary principle in the design and implementation of projects, a wider scope for critical habitat (and commitments not to finance activities or implement offsets in critical habitat other than in exceptional circumstances). Restrictions on genetically modified organisms/living modified organisms are also observed.

PS7. Indigenous peoples. Relevant developments observed include recognition of transboundary IP groups, provision of legal advice, and ensuring consultation of IPs during development of the social impact.

PS8. Cultural heritage. The most relevant additions observed include a greater emphasis placed on consultation, as well as new sections describing the considerations for different types of

cultural heritage, including their categorisation, requirements for identifying the cultural heritage and potential mitigation measures should there be impacts.

4. Guiding principles for the update of GCF ESS

The update of the GCF's interim ESS will be informed by the outcomes of the analysis phase and guided by the principles and criteria outlined in this chapter. These principles reflect the main considerations for the update of the ESS, and will guide what and how relevant additions to the IFC PS identified will be incorporated to form the updated GCF ESS.

Focus

The ESS will support GCF's unique mandate by focusing on generating positive social and environmental outcomes and co-benefits, supporting climate proofing in GCF-funded activities, and tailoring the ESS to GCF's own implementation mechanism through Accredited Entities and Executing Entities.

Continuity

While retaining the basic structure and thematic content of the interim GCF ESS, the new ESS will integrate the principles and commitments set out by recently updated policies at GCF and assess the convenience of creating new standalone ESS if these can further clarify or detail the existing requirements.

Harmonization

The ESS will aim to embody the cumulative best practices in E&S management by harmonizing the ESS with other climate funds and placing greater emphasis on emerging E&S issues recently adopted by other institutions such as human rights, gender (including gender identity and gender-based violence), vulnerability and climate change.

Accountability

The ESS will be formulated to clarify requirements and promote accountability to GCF stakeholders in meeting the requirements of GCF ESS. To do so, the new ESS will enhance the identification of roles and responsibilities and will clarify the requirements for portfolio and sub-project monitoring and reporting to GCF, as well as for identification, assessment and management of E&S risks and co-benefits.

Capability

The development of the new ESS will consider the capacity of GCF as young institution with limited resources and capacity relative to other institutions, and their expected growth.

List of acronyms

| Acronym | Definition |
|---------|--|
| AE | Accredited Entities |
| AF | Adaptation Fund |
| AF | Associated facilities |
| AIIB | Asian Infrastructure Investment Bank |
| AMR | Antimicrobial Resistance |
| AZE | Alliance for Zero Extinction |
| BMP | Biodiversity Management Plan |
| CAT | Convention Against Torture |
| CDP | Community Development Plan |
| CED | Convention on Enforced Disappearances |
| CEDAW | Convention on the Elimination of All Forms of Discrimination against Women |
| CHA | Critical Habitat Assessment |
| CI | Conservation International |
| CMW | Convention on Migrant Workers |
| CRC | Convention on the Rights of the Child |
| CRPD | Convention on the Rights of Persons with Disabilities |
| DAE | Direct Access Entities |
| DBSA | Development Bank of Southern Africa |
| DNSH | Does not significantly harm |
| DRR | Disaster Risk Reduction |
| E&S | Environmental & Social |
| EBRD | European Bank for Reconstruction and Development |
| EHS | Environmental, Health and Safety |
| EPIV | Equator Principles IV |
| EPRP | Emergency Preparedness and Response Plan |
| ESAP | Environmental and Social Action Plan |
| ESCP | Environmental and Social Commitment Plan |
| ESIA | Environmental and Social Impact Assessment |
| ESMP | Environmental and Social Management Plan |
| ESMPF | Environmental and Social Management Planning Framework |
| ESMS | Environmental and Social Management System |
| ESPF | Environmental and Social Policy Framework |
| ESPS | Environmental and Social Performance Standard |
| ESS | Environmental and Social Safeguards |
| ESSS | Environmental and Social Safeguard Standards |
| EU | European Union |
| FI | Financial Intermediaries |
| FMO | Dutch Entrepreneurial Development Bank |

| Acronym | Definition |
|---------|---|
| FPIC | Free, prior and informed consent |
| GBV | Gender-based violence |
| GCF | Green Climate Fund |
| GEF | Global Environment Facility |
| GET | Green Economy Transition |
| GHG | Greenhouse Gas |
| GHS | Globally Harmonised System |
| GIIP | Good international industry practice |
| GIP | Good Industry Practice |
| GMOs | Genetically Modified Organisms |
| GRM | Grievance Redress Mechanism |
| IBAs | Important Bird and Biodiversity Areas |
| ICCPR | International Covenant on Civil and Political Rights |
| ICERD | International Convention on the Elimination of All Forms of Racial Discrimination |
| ICESCR | International Covenant on Economic, Social and Cultural Rights |
| IDB | Inter-American Development Bank |
| IEU | Independent Evaluation Unit |
| IFC | International Finance Corporation |
| IFC PS | International Finance Corporation Performance Standards |
| IFI | International financial institutions |
| ILO | International Labour Organization |
| IPP | Indigenous Peoples Plan |
| IPs | Indigenous Peoples |
| IRM | Independent Redress Mechanism |
| IRMF | Integrated Risk Management Framework |
| IUCN | International Union for Conservation of Nature |
| KBAs | Key Biodiversity Areas |
| KPI | Key Performance Indicators |
| LGBTQ | Lesbian, Gay, Bisexual, Trans, Queer |
| LMOs | Living modified organisms |
| MDB | Multilateral development banks |
| NbS | Nature-based Solutions |
| OHS | Occupational health and safety |
| PBF | Priority Biodiversity Features |
| PPE | Personal protective equipment |
| PS | Performance Standards |
| PSG | Primate Specialist Group |
| SEAH | Sexual Exploitation, Sexual Abuse and Sexual Harassment |
| SECU | Social and Environmental Compliance Unit |
| SES | Social and Environmental Standards |
| SESA | Strategic Environmental and Social Assessments |
| SGA | Section on Great Apes |

| Acronym | Definition |
|---------|---|
| SSC | Species Survival Commission |
| TCFD | Task Force on Climate-related Financial Disclosures |
| TSC | Technical Screening Criteria |
| UNDRIP | United Nations Declaration on the Rights of Indigenous Peoples |
| UNDP | United Nations Development Programme |
| UNESCO | United Nations Educational Scientific and Cultural Organisation |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UNGP | United Nations Guiding Principles on Business and Human Rights |
| V-RAP | Voluntary Resettlement Action Plan |
| WB | World Bank |
| WBG | World Bank Group |
| WHO | World Health Organization |
| WHS | World Heritage Sites |

Introduction

Purpose of this report

The Green Climate Fund (GCF) has a mandate for investing in activities that support a paradigm shift towards climate mitigation and adaptation. GCF requires compliance with its Environmental and Social Safeguards (ESS) which outline the environmental and social standards that projects are to meet. This forms part of a wider Environmental and Social Management System (ESMS) that the GCF uses to manage environmental and social risks and opportunities in its activities. At present, the GCF's ESS comprises the performance standards of the International Finance Corporation (IFC).

GCF is currently undertaking an update to these standards so they are more bespoke to its activities. Mott MacDonald Ltd has been engaged by the GCF to support them with this task.

Building on initial review and analysis work, the purpose of this scoping report is to set out the proposed scope and approach for the ESS updating process.

Background

The Governing Instrument for the GCF³, in its chapter X, provides 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.”

At its seventh meeting, held on May 2014, the Board adopted the International Finance Corporation's Performance Standards for Environmental and Social Sustainability (IFC Performance Standards) as the interim ESS of GCF. The interim ESS were to be used by the GCF until the GCF specific ESS were fully developed.

The initial guiding framework for the GCF accreditation process provides that in relation to the development of the GCF ESS, once GCF has built up a track record of experience and lessons learned, an in-depth review will be conducted. Such review would include:

A benchmarking exercise against recently updated regional bank standards, the updated World Bank safeguards, and experience in implementing the Adaptation Fund principles.

Take into account the observations from the Independent Evaluation Unit (IEU) and the Independent Redress Mechanism (IRM) in the development of the GCF ESS.

The Board, in a decision at the twenty-third meeting in 2019, requested the Secretariat to proceed with the development of the GCF ESS, based on the approach proposed by the Secretariat. The approach presented the options that would be considered in developing the ESS and the processes that will be involved, including stakeholder consultations.

Rationale for the development of GCF's new Environmental and Social Safeguards

The IFC Performance Standards were selected as they had benefitted from nearly a decade of implementation (beginning with the initial version in 2006, updated in 2012), address a number of cross-cutting thematic issues such as climate change, gender, biodiversity, water and human

³ The Governing Instrument for the Green Climate Fund was approved by the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) at its seventeenth session on 11 December 2011 in Durban, South Africa, and is annexed to the decision 3/CP.17 presented in UNFCCC document FCCC/CP/2011/9/Add.1 (see: <http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf>)

rights, and many institutions and organizations were already familiar with the Performance Standards and had adopted some of the key features of their content and format.

Given that more than three years have passed since the Board adopted decision, during which the GCF has accredited 82 entities⁴ and through them has supported 190 activities using the ESS as the basis for its environmental and social due diligence, the need to develop a track record has been met. In addition, the World Bank completed a three-year process of reviewing and updating its safeguards, including extensive stakeholder consultation at national and international levels, resulting in the World Bank's board approving its Environmental and Social Framework, including ten Environmental and Social Standards (World Bank ESS), in 2016.

Although the IFC Performance Standards and Guidance Notes remain the international "reference standard" for private sector lending, the World Bank, in its review and update of its existing safeguard policies, recognized the need to introduce a different approach for its public sector activities, drawing on the lessons learned by IFC in the implementation of its Performance Standards. This allowed the World Bank to better align their policies with the changing needs and aspirations of its borrowers, the external context, and the business of the Bank.

Given that the GCF has gained experience working with a coherent set of environmental and social standards (IFC), it is appropriate for the GCF to examine its specific requirements and its implementation mechanisms (the GCF accredited entities (AEs) and executing entities EEs) include both private and public sector entities). The GCF needs to consider the need to incorporate innovations and provide focus on the mandate of GCF while keeping those aspects of the interim ESS that remain robust and relevant to GCF operations.

The development of GCF ESS will aim to establish a framework to support GCF in carrying out its mandate of promoting a paradigm shift towards low emission and climate-resilient development pathways in a sustainable manner that effectively and equitably manages environmental and social risks and impacts and improves outcomes of all its activities.

GCF's objectives and approach for the update of GCF interim ESS

The development of GCF ESS aims to enable GCF to achieve the commitments set forth in its Environmental and Social Policy as well as other relevant policies such as the Indigenous Peoples Policy, Gender Policy, and Information Disclosure Policy, among others. The ESS shall guide the accredited entities (AEs), executing entities (EEs), countries, and other stakeholders in identifying, avoiding, mitigating, and managing environmental and social risks and impacts, with due consideration to adequate and meaningful stakeholder engagement, grievance redress, and information disclosure.

The GCF Board, in their 23rd meeting in 2019, agreed that review and update of the interim ESS would follow the approach of maintaining the interim ESS with revisions and enhancements that took into account innovative approaches of other similar institutions as well as to have particular focus on the GCF's mandate. The agreed option will:

Retain the basic structure and thematic content of the interim GCF ESS;

Select those innovative elements of the ESS of other institutions that are most relevant to the GCF portfolio based on experience to date and within the GCF business model and capacity to implement

Identify, include, and set forth as priorities those environmental and social impacts and risks that are uniquely or frequently associated with projects GCF funds.

⁴ 31 more have been approved for accreditation by the Board, and are subject to completion of legal arrangements with GCF.

The approach which is set out in this scoping report follows this agreed approach by the GCF Board.

The review and update process

The development of GCF's new ESS will be structured in three stages: scoping, draft ESS, and final ESS. The tasks involved in each stage are presented in this chapter.

Stage 1. Review and scoping stage

Stage 1 lays down the analytical foundation of the ESS through various reviews and assessments that are relevant to the GCF ESS. The tasks involved in stage 1 are described below.

1. Review and analysis of E&S safeguards, and discussion with internal stakeholders.

The tasks involved in this stage have allowed the development of this Scoping report, and have included the following tasks:

Review of environmental and social issues relevant to GCF mandate and operations, and an early identification of typical challenges in implementing and enforcing IFC PS.

Detailed comparisons of recently updated ESS standards and requirements of various institutions, identifying good practices and innovative approaches that can be incorporated in the interim ESS (IFC plus approach).

Analysis of the results of IEU's evaluation of the ESS and ESMS, and incorporate relevant recommendations into the scope of GCF ESS.

Discussions with internal stakeholders at GCF. Meetings with GCF's Independent Evaluation Unit (IEU) and the Independent Redress Mechanism (IRM) to discuss valuable experiences, lessons learned, as well as perspectives and expectations for the development of GCF's new ESS.

The findings from the review and analysis phase have been summarised in chapter 3 of this document, and the guiding principles (outlined in chapter 4), set out the approach for the update of the ESS.

2. External stakeholder consultation

Consultation with external stakeholders will be organised at the end of the review and analysis phase to discuss findings from the scoping process during stage 1 will involve

Call for public inputs to the scoping report.

Organisation of a webinar to discuss the findings and approach for the development of the GCF ESS

GCF will welcome inputs and participation in discussions from representatives and institutions including, but not be limited to: countries through the NDAs, AEs, observer organizations of the GCF, civil society organizations, indigenous peoples organizations and representatives, private sector organizations, development-oriented organizations, academic and relevant research institutions, professional organizations and sector-based councils, labour and workers groups, and representatives of communities affected by GCF-supported programmes and projects.

3. Final scoping report

A revised version of the scoping report will be produced, which will incorporate the outcome of the consultation sessions. The final version of the scoping report will include a matrix of

comments received during the stakeholder consultation, together with a description of how comments have been incorporated into the final report.

Stage 2. Initial draft of the ESS

As described in section 0., the initial drafting of the ESS will retain the basic structure and thematic content of the interim ESS and will incorporate additional items as per findings in stage 1 (final scoping report with inputs from the analysis review and discussions with internal and external stakeholders). The activities included in stage 2 are presented below.

1. Development of draft ESS

The initial development of the draft new GCF ESS will use the findings from stage 1, and will incorporate a qualitative analysis of potential costs and benefits from the incorporation of the updated ESS

The draft ESS report will be the outcome of this task, and will be disclosed for discussion at stakeholder consultations.

2. Stakeholder consultation

Similar to stage 1, stakeholder consultation process in stage 2 will entail discussions with internal stakeholders (GCF Board and its expert panels, independent units and divisions involved in project funding and implementation at GCF's Secretariat) and participation of external stakeholders, which will include the following:

Call for public inputs to the draft ESS report.

Organisation of a webinar to discuss the draft ESS with ESS experts from the four developing regions: Africa, Latin America and the Caribbean, Eastern Europe and Central Asia, and Asia and Pacific.

GCF will prepare a matrix of comments and inputs received from the call for public inputs and the webinar.

Stage 3. Final ESS draft

The final stage will involve the finalisation of the ESS, building on the draft ESS and taking into consideration the inputs received during stage 2 consultations.

Stakeholder consultations during this stage will include a final call for public inputs to the final ESS report, after which a final (post consultation) ESS report will be presented to the GCF Board for its consideration

Summary of findings from the E&S analysis

This chapter presents a summary of findings from the analysis of the Independent Evaluation Unit (IEU) report on GCF ESMS and interim ESS, as well as the review and comparison of GCF's interim ESS with other institutions. The findings in this chapter contain some of the innovative approaches and new provisions adopted by the institutions analysed which GCF will consider for the update of the interim ESS. The decision on the adoption of the new elements presented in this chapter will be subject to the guiding principles outlines in chapter 4.

Independent Evaluation Unit (IEU)

The analysis undertaken by GCF's Independent Evaluation Unit (IEU), based on the benchmarking exercise of GCF ESMS and policies, other climate funds and international laws and principles on environment and human rights, led to the overarching conclusion that the GCF interim ESS "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 (or co-benefits) and instead focus on assessing, mitigating and managing environmental and social risks and impacts". The current do-no-harm approach is not considered to be in line with the specific principles and provisions set up in the UNFCCC and the Paris Agreement, or with GCF's overarching ESP, as it focuses on avoiding and minimizing negative effects, as opposed to a do-good approach aiming at the active promotion of positive externalities. In this regard, the IEU recommends that GCF's E&S framework (including the ESMS and ESS), should strengthen and implement guidance to identify co-benefits and ensure they are monitored and reported.

Alongside this consideration, key recommendations by the IEU for the update of GCF's interim ESS include:

The alignment of the updated ESS to other peer climate funds such as the Adaptation Fund or the Global Environment Fund (to the extent possible) in order to simplify the process of accessing climate finance.

The need for the ESS to facilitate Direct Access Entities (DAE) to demonstrate conformity with the standards and their requirements,

The need for the updated ESS to address gaps identified with regard to, among others, human rights, gender and equity concerns.

Review and comparison of the ESS of eight institutions

As part of the analysis phase, the review and comparison of the ESS of eight institutions was undertaken⁵, with the aim to identify those safeguarding measures that go beyond the GCF's interim ESS (IFC plus), and as such can enable key trends across multiple other institutional ESSs to be identified.

Relevant new additions are discussed in sections below.

Climate Change

Climate Change is incorporated into the ESS standards of the organisations analysed in a spectrum of ways. The most definitive approach from UNDP and Conservation International is the use of standalone standards on climate change and disaster risk (UNDP standard 2) and climate risk and related disasters (CI ESS10). These standards go beyond the way climate is addressed in IFC PS and are better aligned with international good practice on climate proofing and integrating climate considerations into projects and programming. These extra elements specify communities, ecosystems, and critical infrastructure all as risk receptors and establish the nature, scope and profile of climate assessments and bring in new elements such as mal-adaptation and targeted co-benefits, whilst also specifying disaggregation of vulnerability data in a way that strongly aligns to GCF mandate (disadvantaged and vulnerable groups).

At the other end of the spectrum, whilst the remaining organisations do not have specific standards relating to climate change, each has at least one area where the scope of a standard addresses climate in a way that goes beyond that of the IFC PS. These include elements such as:

Assessing GHG emissions across all risk categories,

Requirements to link climate impacts to ecosystems and biodiversity,

Requirements for adaptation and disaster risk assessment and management,

Inclusion of climate impact considerations in pollution prevention and management,

Gender based violence risk prevention,

Community health and safety and

⁵ World Bank (WB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), Asian Infrastructure Investment Bank (AIIB), United Nations Development Programme (UNDP), Conservation International (CI), International Union for Conservation of Nature (IUCN) and Development Bank of Southern Africa (DBSA).

Land acquisition and involuntary resettlement (both climate risk profile as part of replacement land and as part of current and future use assessments).

All of the organisations considered primarily discuss a risk mitigation or emissions reduction “do no harm” approach to the inclusion of climate considerations in their ESS. These approaches do not require the generation of positive and measurable climate (or more generally E&S) effects. The breadth of ways climate is incorporated into the other organisations’ performance standards provides a useful starting point for positioning GCF’s revised approach in line with its ambitions and mandate.

PS1. Identification and management of E&S issues

A comprehensive approach to the Identification and management of E&S issues is observed when comparing the interim ESS with those of other institutions. As opposed to IFC PS, directed to “business activities” and heavily focused on project preparation and “pre-approval” requirements, other institutions present a project lifecycle approach, with more detailed requirements for project monitoring and reporting on E&S performance and ESS compliance during project implementation.

Requirements in some ESS take a broader and more flexible approach to E&S management, considering the different capabilities in private and public institutions. The potential to use national E&S frameworks by public bodies (duly assessed to ensure compliance with the borrower E&S policies and standards), instead of a project-specific ESMS, is considered.

Stronger focus on the upholding of human rights (generally through requirements for human rights assessment), and on how poorer, more vulnerable and various gender groups are differentially impacted are emerging trends in more recent ESSs, together with a greater emphasis on the need for projects and stakeholder engagement to be inclusive.

Structural changes are observed in some more recently updated ESS, which directly affect the content of PS1. Examples of this are represented by:

New standalone ESSs for stakeholder engagement (generally with more details than IFC PS1), Financial Intermediaries (when the financing structure involves the provision of funds to or through a FI) or Climate Change and disaster management.

New annexes or sections with specific guidance for E&S assessment (Environmental and Social Impact Assessment, ESIA), and mechanisms to achieve and monitor compliance with the ESSs (Environmental and Social Action Plan).

The benchmarking exercise identified that other institutions can show greater attention to elements already covered in PS1:

Project alternatives, and requirement for the integration of E&S considerations in the analysis.

Associated facilities, included as part of the scope and application of the standard, rather than in the context of the identification of Risks and Impacts).

Third party responsibilities, when the assessment and management of E&S risk and impacts are the responsibility of a party over which the client has not control or influence.

Management of contractors, with requirements for the borrower to manage and monitor contractors’ E&S performance and make reasonable efforts to identify risks associated with the client’s primary suppliers.

The need for an adaptive management approach is an emerging topic, where the borrower is expected to specify (and communicate) how project changes and their associated additional E&S risk and impacts will be identified, managed and reported, and how the ESMP will be updated to reflect such changes.

Supply chains, often referenced in separate sections including PS1, P2 and PS6.

Split of responsibilities between the borrower and the lender for E&S management along the project life cycle are clearly set out in some ESS reviewed.

PS2. Labour and working conditions

Project workers is now widely accepted terminology, deleting ambiguity related to the employment relationship with or without the borrower, and some standards differentiate requirements for civil servants, as a specific project worker group.

Some of the newer standards are more specific in relation to workers’ terms and conditions (identifying minimum working age, requiring employment contracts and timely pay, providing adequate rest and leave, issuing written notice of termination and severance pay, and allowing workers to remove themselves from unsafe work situations), and some standards expand beyond the core/fundamental International Labour Organisation (ILO) conventions to include more.

The link between workers and project induced influx, and the need for managing the latter, is also being addressed explicitly in some of the newer standards.

Some of the newer standards address and present requirements related to gender-based violence, harassment and sexual exploitation and abuse.

Human resource systems and the need to respect the rights of workers to privacy and data protection is also mentioned in newer standards, in alignment with general data protection legislation introduced in the EU and countries over the last few years.

PS3. Resource efficiency and pollution prevention

With regard to resource efficiency and pollution prevention (PS3), detailed water balance or assessments are required by other institutions, some of them requiring projects to assess cumulative impacts of water use.

Consideration of gross GHG emissions, i.e., consideration of both direct and indirect emissions is required in some of the ESS reviewed, with some institutions not providing a lower limit below which an assessment of GHG emissions isn't required.

PS4. Community health, safety, and security

With regard to community health and safety, some organisations combine occupational and community health and safety together, and most recent standards are explicit about including security requirements with community health and safety.

Various standards are signposting road safety and traffic impacts as an important community health and safety consideration, and some of the more recently produced standards have new requirements related to disaster risk management, dam safety, and antimicrobials.

PS5. Land acquisition and involuntary resettlement

With regards to land acquisition and involuntary resettlement, most of the newer standards use "meaningful consultation" terminology and place greater emphasis on women's involvement in relation to land acquisition and displacement impacts and effects. Some standards address in more detail topics like forced evictions, partial loss of land plots or land holdings, legacy issues and past ownership and use take, provision of legal assistance, voluntary land donation, organisational capacity and responsibilities or reprisal of displaced people's grievances. Also, specific requirements in relation to this topic have been added by some of the ESS reviewed such as:

Climate exposure protection in replacement land.

Land aggregators, and support to social and cultural institutions.

Making its standard applicable to associated facilities and references that compensation is not required for encroachers after the established cut-off date provided the date is well-publicised.

Provision of FPIC by communities affected by relocation or access restrictions as compared to just IP groups having FPIC for this impact.

Details for specific conditions when cash compensation can be provided; when non-compensation or holding of compensation funds is required; and when land can be used as collateral or equity.

PS6. Biodiversity conservation and sustainable management of living natural resources

Some relevant additions to PS6 in some of the ESSs analysed include:

A focus on the precautionary principle and approach in the design and implementation of projects that could have an impact on biodiversity.

The requirement for mitigation to be implemented for projects with the potential to adversely affect internationally recognised areas and legally protected areas, even if the project is not directly located within these areas.

A wider scope for critical habitat, which involves additional studies and mitigation, and commitments not to finance projects in critical habitat or not to implement offsets in critical habitat or for water resources other than in exceptional circumstances

Restrictions on genetically modified organisms/living modified organisms.

PS7. Indigenous peoples

Among ESS, there is more divergence on terminology and sometimes approach. The GCF IPP is detailed, comprehensive and up to date, connecting IP issues with human rights and requiring documentation of FPIC.

Some ESSs require the borrower to take into account the rights of IPs as contained in applicable legal obligations and commitments. One of the newer ESS references that when a regional project involving two or more countries or in border areas where IPs are present there needs to be assessment and provision of measures to address adverse impacts of the project that might affect transborder peoples. Another newer ESS recognises IPs' right to legal personality to support the protection, respect and fulfilment of their human rights. Another ESS has a requirement for developing the social impact assessment in consultation with the affected IP groups.

PS8. Cultural heritage

When considering cultural heritage, the most relevant additions observed in recently updated standards include a greater emphasis placed on consultation, ensuring that project affected parties and other consultees (such as national or regional institutions) are included to ensure the views and values of the community are represented.

New sections are also added by some institutions, describing the considerations for different types of cultural heritage (archaeological sites and material, built heritage, natural features with cultural significance and moveable cultural heritage). These sections categorise the different types, the requirements for identifying the cultural heritage and potential mitigation measures should there be impacts. This is the major difference with the IFC standard which does not separate the different types of heritage in this way.

Guiding principles for the update of GCF ESS

The update of the GCF's interim ESS will be informed by the outcomes of the analysis phase and guided by the principles and criteria outlined in this chapter. These guiding principles reflect the main considerations for the update of the ESS and will guide what and how the relevant additions to the IFC PS identified in the review and analysis stage (i.e., an "IFC Plus" approach) will be incorporated to form the updated GCF ESS.

Focus

GCF have a mandate of promoting paradigm shift towards low-emission and climate-resilient development. The ESS will support this unique mandate and leverage its unique global reach to effect and influence positive change through the following criteria:

Focusing on generating positive social and environmental outcomes in addition to assessing, mitigating and managing risks and impacts. The updated GCF ESS will explore a transition from a do-no-harm approach, to a "do-good approach", aiming at the active promotion of positive outcomes and co-benefits. Specific requirements for measuring, reporting, and monitoring such positive outcomes or co-benefits will be explored in the development of the new ESS.

Support climate proofing in GCF projects, by integrating climate change considerations into project or programme preparation and implementation. This integration will explore the possibility to go from a risk mitigation and emission reduction approach to the generation of positive and measurable climate effects where possible.

Tailor the ESS to GCF implementation mechanism through Accredited Entities and Executing Entities. Unlike the private "clients" in the interim ESS (IFC PS), AE and EE can be private or public, non-governmental, sub-national, national, regional or international, as long as they meet the standards of the Fund. While the new ESS will aim at creating new international benchmark for E&S standards, the requirements cannot become prohibitive for entities where the capacity to demonstrate compliance with GCF ESS can become a barrier to access climate funding. The standards will adopt a proportionality principle where requirements will be commensurate to project risks.

Continuity

Retaining the basic structure and thematic content of the interim GCF ESS is the approach adopted by the GCF Board for the new ESS, which will facilitate continuity with the E&S framework adopted by entities already accredited by GCF.

While retaining the current thematic content, and in order to maintain coherence with GCF's E&S framework, the new ESS will integrate the principles and commitments set out by recently updated policies at GCF: gender policy, indigenous peoples policy, information disclosure and sexual exploitation, abuse and sexual harassment.

Harmonization

Adopting commonly applied ESS standards and requirements will facilitate harmonizing arrangements when accredited entities, with their own ESS, are expected to meet GCF's policies and standards. The new ESS will aim to embody the cumulative best practices by

Harmonizing the ESS with other climate funds when possible. The new ESS will incorporate opportunities to enhance complementarity with the Global Environment Facility and the Adaptation Fund where possible. In doing so, consideration will be given to whether such complementarity would include a broader range of amendments to the entire E&S framework of all institutions.

Placing greater emphasis and providing clear requirements on emerging E&S issues recently adopted by other institutions, and not adequately covered in the interim ESS such as human rights, gender (including gender identity and gender-based violence), vulnerability and climate change.

Accountability

The ESS will be formulated to clarify requirements and promote accountability to GCF stakeholders in meeting the requirements of GCF ESS, ESMS and the Environmental and Social Policy. To do so, the new ESS will:

Enhance the identification of roles and responsibilities for GCF, Accredited and Executing Entities to meet GCF policies in project approval and implementation

Clarify the requirements, mechanisms and content for portfolio and sub-project monitoring and reporting of ESS compliance and E&S performance to GCF, to improve the understanding of all parties on what is expected along the project life cycle.

Provide more detailed requirements for entities to identify, assessment and manage E&S risks, impacts and co-benefits.

Capability

The development of the new ESS will consider the capacity of GCF as young institution with limited resources and capacity relative to other institutions, and their expected growth.

Programme for the review and update of the interim ESS

It is envisaged that the update to the GCF ESS standards will take place over the 16-month period, as shown in table 5.1 below, and based on the three stages outlined in chapter 2.

Table Error! No text of specified style in document..1 Programme for updating the GCF ESS standards

| Stage | Activities | Period |
|--|---|-----------------------------|
| Stage 1 Review and scoping stage | Scoping and review | Up to end of September 2021 |
| | Stakeholder consultation (call for inputs) | October 2021 |
| Stage 2 Initial draft of the ESS | Initial draft ESS | By end of January 2022 |
| | Stakeholder consultation (call for inputs and expert consultation) | February 2022 |
| Stage 3 Final ESS draft | Final draft ESS (initial) | June 2022 |
| | Stakeholder consultation (call for inputs) | July 2022 |
| Final | Preparation of Board document with final draft ESS (final) for Board decision | August 2022 |

