

Sustainability guidance note: screening and categorizing GCF-financed activities

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1. Overview

(1) In 2018 the Board of GCF adopted the Environmental and Social Policy,¹ which sets out the risk-based approach for identifying, assessing, and managing environmental and social risks and impacts of activities,² projects, and programmes supported by GCF resources. The Environmental and Social Policy describes the environmental and social principles and requirements that support the application of the environmental and social safeguards (ESS) of GCF.

(2) The Environmental and Social Policy provides for a risk-based approach to assessing and managing environmental and social risks and impacts of activities financed through GCF resources. This risk-based approach ensures due diligence based on the appropriate level of likely environmental and social risks of the activities. The level of environmental and social risk will determine:

- The depth and extent of environmental and social assessment that will need to be conducted;
- The measures that will be developed and implemented to address, manage and monitor the risks and impacts;
- The appropriate stakeholder engagement;³ and
- The disclosure of relevant environmental and social information.

(3) By having differentiated due diligence, accredited entities, and if the accredited entity is acting in an intermediary function to ensure that the executing entities are able to establish the level of resources that will need to be deployed to identify, assess, manage and monitor the environmental and social risks and impacts. For example, activities that are deemed to have high environmental and social risks are required to undertake extensive assessment, management and monitoring of risks and impacts. In comparison, lower risk activities are expected to undertake simpler and more narrowly focused assessments, management and monitoring of measures to address identified risks and impacts.

(4) As a necessary step to risk-based environmental and social due diligence, activities supported by GCF will need to be categorized according to the different levels of environmental and social risks as described in the Environmental and Social Policy. The environmental and social risk category of activities will assist in determining the level of due diligence that will be conducted for the activities.

(5) This guidance note provides practical information for the Secretariat, accredited entities and executing entities, countries and other stakeholders in categorizing the environmental and social risks of activities supported by GCF. This document notes that accredited entities implement their own environmental and social management systems (ESMS) to manage the environmental and social risks and impacts associated with activities and meet the requirements of GCF policies and ESS, including the conduct of due diligence of activities supported by GCF. As such, this guidance note clarifies the requirements for environmental and social risk categories as described in the Environmental and Social Policy and provides guidance on the process for determining how projects and activities are categorized. This guidance note

¹ See decision B.19/10, paragraph (b) and annex X to document GCF/B.19/43.

² For the purposes of this guidance note, an activity, as referred to in this document, shall hereinafter refer to programmes, projects and subprojects

³ Further guidance on meeting the stakeholder engagement requirements of GCF-financed activities can be accessed at <https://www.greenclimate.fund/documents/meaningful-stakeholder-engagement>

is not a GCF policy and it does not substitute for the need to exercise sound judgment in making decisions related to the environmental and social risk categories of activities. Rather, this guidance note provides the following:

- An overview of GCF Environmental and Social Policy requirements;
- Information on environmental and social risk screening;
- The process for determining the environmental and social risk categories of activities; and
- Illustrations of the application of the Policy in the GCF-funded activities.

2. Environmental and Social Policy requirements

(6) The Environmental and Social Policy lays down the principles, responsibilities and requirements for managing environmental and social risks and impacts associated with the activities that GCF supports, including screening and categorization of activities. In line with the policy's guiding principles, the ESS will be applied in a scaled, risk-based approach requiring that environmental and social requirements and processes are commensurate with the level of risk associated with the activities.

(7) The responsibilities related to managing environmental and social risks throughout the lifecycle of GCF-financed activities are also outlined in the Environmental and Social Policy. Specifically, GCF is responsible for requiring and ensuring that appropriate screening and categorization processes are conducted within an accredited entity's requirements, the GCF ESS standards, and the requirements of the Environmental and Social Policy. Accredited entities will be required to ensure that activities are properly screened, assigned appropriate environmental and social risk categories, and that environmental and social risks and impacts are properly and sufficiently assessed.

(8) The Environmental and Social Policy presents the environmental and social screening of activities as a process to determine an activity's environmental and social risk category. The environmental and social screening considerations of activities are described in the Environmental and Social Policy and further discussed in section 3 of this note.

(9) According to the Environmental and Social Policy, the environmental and social risk categories of activities will be proportional to the nature, scale and location of the activities; their likely environmental and social risks and impacts; and the vulnerability of the receiving environment and communities. In assigning risk categories, specific attention will be paid to the risks and impacts as specified in the ESS. In addition, the risk categories of activities will consider the environmental and social risks and impacts of the activities identified and assessed prior to the application of any mitigation measures, with due consideration given to the most serious risks and impacts of all activities, and will include associated facilities.

(10) In cases of programmes or projects consisting of several component activities, the Environmental and Social Policy provides that the highest risk category of the component subprojects or activities will be considered as the overall category of the programme or project. Further, the Environmental and Social Policy states that where there are changes in the activities in terms of design and execution or other changes that may alter the overall environmental and social risk profile of the activities, the accredited entity will undertake appropriate screening and categorization to determine the appropriate level of due diligence necessary to manage the risks and impacts from the changes.

3. Environmental and social risk screening

(11) The screening of environmental and social risks of activities is an important step in the overall environmental and social due diligence of activities proposed for GCF financing. Screening serves to identify and assess, at the earliest stage possible, the likely environmental and social risks and impacts that could be reasonably anticipated from the design and execution of activities. It is also a tool to ensure that gender, indigenous peoples and other environmental and social sustainability issues are considered in the design and throughout the life of the activities. Undertaken at the earliest possible opportunity during the preparation of activities, screening assists GCF, countries, accredited entities, executing entities, and other stakeholders in anticipating the risks and impacts of the project, how these will be addressed, and the requirements that need to be met and addressed.

(12) The screening of environmental and social risks and impacts of activities informs the risk-based approach to due diligence. By identifying and analysing the potential risks and impacts of the activities, the overall level of environmental and social risk from the activities can be established. This can then be reflected as the overall environmental and social risk category of the activities.

(13) Activities are subjected to a screening of environmental and social risks and impacts. The accredited entities, whether their role is of implementing entity or acting in an intermediary function, are responsible for undertaking the screening of risks and impacts. Other activities financed through the resources of GCF, such as those supported through the Readiness and Preparatory Support Programme are not normally screened, as the type and nature of the activities are not likely to have any physical elements or adverse risks and impacts; however, if the GCF concludes that an activity might have a physical element or an adverse risk or impact, GCF reserves the right to screen that and any connected activities. In regard to the Project Preparation Facility (PPF), an accredited entity endorsed by the Nationally Designated Authority may request GCF grant finance for environmental and social studies. In this case, evidence of the screening of the underlying activities will be required as justification for studies to be undertaken using GCF resources.

(14) Screening is first undertaken at the early stages of project development. It is considered as a starting point in the environmental and social due diligence of activities, typically during the preparation of concept notes or funding proposals. Screening of the entire GCF-financed activity as a whole, including aspects that are funded through non-GCF sources, allows the accredited entity and if the accredited entity is acting in an intermediary function to require the executing entity to take into consideration the identified risks and impacts. Screening can also capture recommendations for improving the environmental and social performance of the activities in the design and inform about the due diligence and execution of the activities. As a preliminary process in due diligence, the screening of environmental and social risks of activities allows the entities to:

- Identify the potential environmental and social risks and impacts of the activities;
- Analyse the identified risks and impacts to understand their potential significance;
- Assign an environmental and social risk category; and
- Determine applicable standards, policies and plans for meeting requirements, including the scope of further assessments.

(15) Screening is usually undertaken through a desktop assessment of the concept note or funding proposal. Screening will also be based on the descriptions of various aspects of the proposed activities, such as the biological and physical environment, social, economic and cultural elements, policy and governance, capacity and implementation arrangements. It is important to understand that the screening process is conducted while project activities are being designed and when information related to the activities may not be available in great

detail. It will be difficult at this stage to have information sufficient for a comprehensive analysis and judgment on the significance of risks and impacts. Where there are limitations in the information related to the likely environmental and social risks and impacts, assigning the appropriate category of the activities following a precautionary approach will be necessary to assess and address the anticipated risks and impacts. It is the responsibility of the accredited entities or to require the executing entities to provide adequate information for an informed analysis of the environmental and social risks and impacts. Where gaps in knowledge about the activities are identified, such gaps must be included in the scope for the detailed environmental and social assessments of the activities. As better information and understanding of the risks and impacts become known, the category assigned to the activities during screening will need to be adjusted to reflect the results of the detailed environmental and social assessments or if any risks and impacts are identified.

(16) Additional information about the activities that is required during screening at a minimum includes anything related to the scale of the activities, their proposed locations, descriptions of the intervention and technology that will likely be used, and the inherent risks of the activities associated with the sector and industry. Related literature and previous environmental and social assessments, including stakeholder consultations relevant to the proposed activities, if available, are also important in understanding the expected risks, impacts and concerns that may affect the activities.

(17) The preliminary analysis of environmental and social risks takes into consideration the potential significance of the risks and impacts relative to a set of defined criteria. There are various methods for determining significance, such as those based on the impact magnitude, intensity, sensitivity of receptors, probability of occurrence, reversibility, duration, defined physical and social characteristics and significance, and specific thresholds (e.g., environmental quality standards). Screening uses various tools to capture information on the risks and impacts and the significance analysis – the most common tool being a checklist that provides a list of environmental and social risk factors as well as significance criteria. Examples of risk factors aligned to GCF requirements are included as an annex to this guidance note. Accredited entities can use their own screening tools that are part of their ESMS or may modify or develop a screening tool specific to the activity. It is important to note that the analysis of risks and impacts as part of the screening process is considered as preliminary and undertaken to allow for appropriate due diligence planning for the activities. Where required, a more comprehensive environmental and social assessment will be undertaken to further analyse specific risks and impacts associated with the activities.

(18) Screening should also be undertaken during the implementation of the activities, as part of adaptive management. This becomes an important due diligence process as it reveals risks and impacts associated with the changes in the design and implementation arrangements, policies and regulations, and host environment and communities. These changes may bring about unanticipated risks and impacts or alter the overall environmental and social risk level. Screening, or updating of the previous screening, would be required to determine if there are changes in the overall category of the activities and the scope of any environmental and social assessment of the unanticipated or planned changes to the activities.

(19) Below are important considerations in planning and undertaking screening of the environmental and social risks of activities:

- Conduct the screening as early as feasible and ideally as part of developing a concept note or funding proposal for the entire GCF-financed activity. By making the screening an upstream process, the environmental and social risks as well as opportunities are integrated into the design of the activities. By conducting screening in the early stages of activity design, the cost for due diligence is minimized as the process becomes more predictable and the requirements are clarified from the start. Screening also supports the examination and

consideration of alternatives that have more benign environmental and social risks and impacts.

- Consider risks and impacts that are regarded as direct, indirect, induced, transboundary, long term and cumulative as well as impacts from associated facilities and third parties. These must be included in screening in order to obtain a comprehensive scan of potential risks and impacts associated with the activities. It is also important to consider requirements of laws applicable to the activities, including national laws and relevant international obligations policies, regulations and standards related to managing environmental and social risks and impacts that will need to be met and complied with in the course of the development and implementation of the activities.
- Consider opportunities for improving the environmental and social performance of the activities. Screening can identify ways to enhance environmental and social benefits that can be harnessed from the activities. For example, there may be traditional knowledge systems available that can provide effective means for achieving local adaptation objectives.
- Include gender aspects and other impacts on vulnerable groups. Women and vulnerable groups may be affected differently by the activities, and screening can show how women, vulnerable groups, or indigenous peoples may be differently impacted. The GCF Indigenous Peoples Policy (Scope of Application in Section IV), provides guidance on characteristics that aid in identifying indigenous communities.
- Screening should be continuously updated. It is important to understand that screening is not a one-off undertaking but rather one part of a due diligence process that is carried out during implementation of the activities. The information in the screening will need to be updated by the accredited entity, pursuant to the requirements of the GCF Environmental and Social Policy, particularly in instances where there are changes in the design and scope of implementation of activities.

4. Categorization of activities

(20) The Environmental and Social Policy requires accredited entities to assign appropriate environmental and social risk categories to activities. The environmental and social risks and impacts of activities vary greatly. They are determined by factors such as nature, location, scale, magnitude, intensity, duration and reversibility of the impacts, and other risks inherent to the sector or industry. A risk-based approach requires the determination of the extent and scope of environmental and social due diligence that will be required for each activity. An environmental and social risk category will need to be assigned to the activity. For GCF, the environmental and social risk category of an activity indicates the extent of: the due diligence that needs to be undertaken by the accredited entity or through its executing entity; the mitigation measures, including the resources needed to implement the environmental and social management plans; and the stakeholder engagement and information disclosure.

(21) GCF recognizes that fulfilling its mandate to promote a paradigm shift towards low-emission and climate-resilient development may necessitate financing activities that could be inherently risky from the context of environmental and social risks and impacts. The risk category of the activities does not, in any way, imply whether an activity is “good” or “bad” but instead indicates recognition of the likely risks and impacts. This will allow measures to be put in place to avoid, minimize or mitigate them.

(22) GCF requires accredited entities to assign appropriate categories to activities in a manner consistent with the GCF categorization approach, which differentiates between high, moderate and minimal to no adverse environmental and/or social risks and impacts. This

categorization approach is similar to other financial institutions. These risk levels are based on defined criteria and follow a continuum of risks and potential impacts. The assignment of risk categories reflects an integrated view of the environmental and social aspects of the activities and is the result of the environmental and social risk screening of the activities. Where the levels and definitions of categories of the accredited entity differ with that of GCF, the accredited entity will establish and convey to GCF the equivalence of their levels and definitions of categories with those of GCF.

(23) GCF will confirm that the environmental and social risk category assigned by the accredited entity is within the accredited entity's scope of accreditation, and is consistent with the accredited entity's requirements, the GCF ESS standards, and the requirements of the Environmental and Social Policy. If it is inconsistent, GCF will require the accredited entity to reflect the appropriate category. Only activities with risk categories that are within the accredited entity's scope of accreditation will be considered for GCF financing. For example, entities accredited to Category B can propose activities with environmental and social risk category of up to Category B only.

(24) The environmental and social risk category of activities is informed by the result of the screening. Where the result requires further environmental and social assessments to be conducted, the risk category assigned during the screening process may need to be confirmed by the entities based on the review of these additional assessments.

(25) The environmental and social risk categories of activities supported by GCF are defined as follows:

- **Category A.** Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented;
- **Category B.** Activities with potential limited adverse environmental and/or social risks and impacts that, individually or cumulatively, are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and
- **Category C.** Activities with minimal or no adverse environmental and/or social risks and/or impacts.

(26) Category A activities, often referred to as high-risk activities, include those with potential significant adverse environmental and social risks and impacts as determined by the screening process. Activities considered as category A may have significant risks for and impacts on the physical and biological environment as well as the socio-economic and cultural environment. Examples of features of category A activities include: having large geographic scale; involving large-scale infrastructure; being located in valuable ecosystems and critical habitats; entailing adverse impacts to the rights, resources and lands of indigenous peoples; and entailing significant resettlement of affected peoples. The significant adverse environmental and social risks and impacts are further analysed as to whether the impacts are:

- *Diverse*, where there may be various types of risks and impacts associated with the activities. The diversity of risks and impacts may affect the capacity of the entities to plan and implement measures to manage risks and impacts, for example, projects or programmes with several different types of component subprojects that may generate varied risks and impacts;
- *Unprecedented*, where the activities and the identified risks and impacts may have not been experienced in the locality, and as such may be limited in designing and implementing effective mitigation measures. Examples of such activities include infrastructure that would require mitigation measures with unique requirements;

- *Irreversible*, where the activities may lead to permanent impairment of environmental quality, decline of ecosystem services, and adverse effects to the communities, including vulnerable groups. Examples of such activities include those that use non-renewable resources, reduce the integrity of natural habitats, and cause further decline and reduction of the population of species and ecological communities; and/or
- *Other considerations* for category A activities include the large-scale nature of the activities, impacts that may extend beyond the project's footprint, complex implementation arrangements, duration of impacts, manageability of risks and impacts, and community involvement and support.

(27) Category A activities are required to undertake a comprehensive environmental and social assessment and to develop and implement corresponding environmental and social management plans; other plans addressing specific risks and impacts, such as those related to land acquisition and involuntary resettlement, indigenous peoples, and biodiversity; stakeholder engagement; and activity-level grievance redress mechanisms.

Box 1: Example of category A project

Project: Green BRT Karachi

The Karachi Red Line bus rapid transit (BRT) project is one of the six priority projects identified under the Karachi Transportation Improvement Plan. The project entails a 26.6-kilometer long BRT corridor with associated facilities directly benefitting 1.5 million people. The project is expected to contribute to greenhouse gas emissions reductions and improve climate resiliency of the urban transport system.

The project was prepared using the safeguard policy of the accredited entity, which is materially equivalent to the GCF environmental and social safeguards standards. The project was designated as category A for Environment due to its diverse impacts noting that while the long-term negative environmental impacts are few and minor, the short-term risks and impacts of the construction involved would be numerous and significant. This categorization also appropriately reflects the project's social risks due to potential displacement of structures and loss of livelihoods of affected people. A comprehensive environmental impact assessment with an environmental management plan and a resettlement plan were prepared.

Reference: <https://www.adb.org/projects/documents/pak-47279-002-eia>

(28) Category B activities, or moderate risk activities, include those with risks and impacts that are less adverse than category A activities in terms of magnitude and likelihood of occurrence. Risks and impacts are considered limited, and the magnitude is expected to be low to moderate. The risks and impacts are few in number, contained within the footprint of the activities, largely reversible, and readily mitigated through generally accepted mitigation measures and good international industry practices.

(29) In determining category B activities, it is important to consider the spatial extent of risks and impacts as well as whether the duration of impacts is temporary or permanent and whether the entities and proponents of activities have experience in designing and implementing measures to mitigate identified risks and impacts.

Box 2: Example of category B project

Project: Enhancing climate resilience of India's coastal communities

The focus of this project is on enhancing the climate resilience of the coastal communities in India through an ecosystem-based, community-centred approach to adaptation. The key components of the project include (i) enhancing the resilience of coastal and marine ecosystems and their services; (ii) climate-adaptive livelihoods for vulnerable coastal communities; and (iii) strengthening governance, institutional frameworks, and knowledge management for climate-resilient management of coastal areas.

The accredited entity screened the project against its social and environmental standards procedure and deemed it as having moderate environmental and social risk, equivalent to category B of the GCF

Environmental and Social Policy. Overall, the project activities are likely to have some short-term, small-scale environmental impacts during implementation that can be readily mitigated following the due diligence and mitigation approaches presented in the environmental and social management framework (ESMF), which was prepared by the accredited entity in line with the requirements under the accredited entity's procedure and the GCF environmental and social safeguards for category B projects. The project will ultimately have considerable, long-term environmental and social benefits as it seeks to strengthen the resilience of the vulnerable ecosystems and communities in the states of Andhra Pradesh, Maharashtra and Odisha, including 24 target landscapes in 12 coastal districts. The project ESMF identifies potential risks and offers avoidance and/or mitigation measures and processes to reduce impacts from the various activities.

Reference: <https://www.adaptation-undp.org/projects/enhancing-climate-resilience-india's-coastal-communities>

(30) Category C activities, or low-risk activities, include those that have minimal to no adverse environmental and social risks and impacts. Category C activities are typically those that have no physical elements or defined footprints. However, in certain contexts, activities that have physical elements or a footprint may also be considered as low risk, particularly where the activities are small-scale, undertaken within an already built environment, do not involve physical and economic displacement of people or have minimal or no adverse impacts on indigenous peoples. Some examples of category C activities include:

- Capacity development, planning support, institutional development and strengthening, advisory services, communication and outreach, and early warning and other monitoring systems; and
- Small-scale facilities, smallholder production and community-based conservation, rehabilitation and maintenance of existing small-scale infrastructure within an already built-up area and with no additional footprint.

Box 3: Example of category C project

Project: Enhanced climate resilience of rural communities in central and north Benin through the implementation of ecosystem-based adaptation (EbA) in forest and agricultural landscapes

The project aims to buffer communities against the effects of climate change by adopting agricultural livelihoods and investing in land stewardship. The project will implement ecosystem-based adaptation and climate-resilient agriculture interventions in forest areas and the adjacent agricultural landscapes. The activities are primarily focused on capacity development, institutional strengthening, and ecosystem restoration aimed at improving the biodiversity and ecosystem services in forest areas and adjacent agricultural lands. The accredited entity has screened the project as likely to have minimal environmental and social risks and impacts. The screening considered potential risks and impacts related to works on the restoration of degraded lands, and in implementing climate-resilient agricultural productivity improvements. The potential risks were rated by the accredited entity as having a low probability of occurrence and low severity.

The accredited entity included as part of the proposal the project's Social and Economic Action Plan. The action plan describes the measures that will be undertaken to avoid, reduce and mitigate the identified low-level environmental and social risks and impacts. The project is designed to empower the local communities, including ethnic groups using forest lands, to use these resources sustainably. A benefits-sharing system will be developed as a result of the land-use planning, which will also design and strengthen permit sale systems to regulate the collection of forest resources, including wood and non-timber forest products and small game. Traditional leaders and local authorities will be engaged by the project to mobilize community groups around the project.

(31) Categorization also applies to investments through financial intermediation. The screening and categorization will consider the risks associated with the intended end use. Categories of activities involving investments through financial intermediation functions or delivery mechanisms involving financial intermediation are divided into the following three levels of risk:

- **High level of intermediation, or I1**, when an intermediary's existing or proposed portfolio includes, or is expected to include, financial exposure to category A activities;
- **Medium level of intermediation, or I2**, when an intermediary's existing or proposed portfolio includes, or is expected to include, financial exposure to category B activities; and
- **Low level of intermediation, I3**, when an intermediary's existing or proposed portfolio includes financial exposure to category C activities.

(32) It is important to note that in assigning the overall environmental and social risk category of activities through financial intermediation, the highest risk category of potential subprojects will be adopted.

Box 4: Example of category I2, medium-level intermediation

Project: Embedded Generation Investment Programme (EGIP)

The programme aims to assist in providing commercial viability to embedded generation projects in South Africa. This programme will support the implementation of renewable energy projects mainly from solar photovoltaic and wind energy. The accredited entity considers the overall environmental and social risk category of the programme as medium level intermediation or I2. The accredited entity anticipates that the projects will likely have moderate environmental and social risks and impacts, equivalent to category B of the GCF Environmental and Social Policy. Given the scale of the projects, the accredited entity considers the likely environmental and social risks and impacts to be readily identified, assessed and mitigated through the adoption of sound environmental and social practices. Projects that will be considered under the programme will be limited to category B and C.

As the specific projects and their locations have yet to be selected, the accredited entity provided an environmental and social management framework (ESMF) describing the environmental and social due diligence process that will govern the programme. Clients will be required to develop environmental and social impacts assessments, environmental and social management plans and other pertinent management plans for the projects. The ESMF incorporates a framework for indigenous peoples planning that describes the engagement strategy and guidelines for indigenous peoples planning; the free, prior and informed consent process; and the preparation of an indigenous peoples plan should any of the projects involve indigenous peoples or be located in indigenous lands. The ESMF also incorporates a resettlement framework that guides the projects in addressing risks and impacts resulting from potential land acquisition, involuntary resettlement, and loss of livelihoods.

Reference: <https://www.dbsa.org/EN/About-Us/Publications/Documents/DBSA%20Embedded%20Generation%20Investment%20Programme%20ESMF.pdf>

5. Screening and categorizing activities involving indigenous peoples.

(33) The screening and categorization take into account all potential environmental and social risks and impacts associated with the activities. It is important to understand that the screening of environmental and social risks is contextualized, recognizing the various factors such as those related to location, communities and types of intervention that contribute to the analysis of the level of risks and impacts of the activities. The analysis of the risk factors associated with the activities will need to include how the different social groups, including indigenous peoples and other vulnerable and marginalized populations, are differently affected—either positively or negatively—by the impacts of the project. It should be recognized that there are due diligence requirements specific to indigenous peoples, women, and other vulnerable and marginalized groups that would need to be taken into consideration in the screening and further assessments.

(34) The screening and categorization of activities will need to establish the applicability of the GCF Indigenous Peoples Policy by determining whether there are indigenous peoples who

may be potentially affected by the activities,⁴ noting that the mere presence of indigenous peoples and other vulnerable or marginalized groups should not automatically signal higher magnitudes of risk. The screening and categorization of activities where indigenous peoples may be present will need to recognize that indigenous peoples may be affected differently by the activities due to their vulnerabilities, as may be affected by their economic, social and legal status; institutions, customs, culture and language; dependence on their lands and natural resources; and their relationship with the dominant groups and mainstream economy.

(35) The screening and categorization will need to take into account the risks and impacts of the activities on the indigenous peoples, including their rights to territories, resources and livelihoods. Examples of the risk factors that may be considered during screening and categorization include risks related to the physical displacement of indigenous peoples from their ancestral lands and territories; restrictions that result in loss of their traditional livelihood systems including access to the territories and its resources; degradation of lands and the environment and the depletion of resources; exacerbation of community conflicts; and impacts to the cultural heritage and other physical resources and sites that are considered culturally important to the indigenous peoples.⁵

(36) In categorizing activities, it is important to understand the adverse impacts of activities on the indigenous peoples. For example, activities that seek to establish protected areas or areas set aside for enhancing ecosystem services may overlap with the indigenous peoples territories or affect the land tenure rights of indigenous peoples. These conservation-based activities may also negatively impact traditional livelihoods of indigenous peoples, leading to the degradation of their culture and knowledge systems. Activities may also restrict the access of indigenous peoples to their lands, natural resources and cultural and religious sites. Activities may be considered to have moderate- to high-risk if these entail risk factors such as those cited in paragraph 35. Activities may be considered low-risk if the activities are planned in consultation with indigenous peoples and expected to provide benefits such as capacity development, institutional strengthening, awareness building, outreach and other small-scale interventions and that do not result in adverse impacts such as on land tenure rights, access to resources and cultural heritage and other risk factors. It is also crucial to consider that while some low-risk activities may have no physical elements or defined footprints, these activities may have inadvertent adverse effects on the rights of indigenous peoples including lands and natural resources subject to traditional ownership or customary use. The environmental and social risk category of activities will need to take into account these environmental and social risks and impacts on the indigenous peoples.

(37) If the screening identifies indigenous peoples, further analysis should be undertaken to collect baseline data on those communities, covering key aspects that may be affected by the activity and the potential impacts and benefits of the activity to indigenous peoples. The breadth, depth, and type of assessment should be proportional to the nature and scale of the proposed activity's potential impacts on the indigenous peoples and the vulnerability of the indigenous peoples.

Box 4: Example of activity involving indigenous peoples

Project: Poverty, reforestation, energy and climate change

The project aims to increase resilience and enhance the livelihoods of vulnerable households and reduce forest cover loss in environmentally sensitive areas of Eastern Paraguay. The accredited entity classified

⁴ Paragraphs 14, 15, 16, and 17 of the GCF Indigenous Peoples Policy sets out the applicability of the policy. Additional guidance is also provided in the Indigenous Peoples Policy Operational Guidelines.

⁵ Additional guidance on potential environmental and social risks and impacts can be found on the GCF Indigenous Peoples Policy, the Indigenous Peoples Policy Operational Guidelines and the IFC Guidance Note on Performance Standard 7.



the project as having potentially moderate environmental and social risks and impacts based on risk screening and environmental and social analysis. The project recognizes the presence of indigenous communities in the eight departments where the project will be implemented. An indigenous peoples planning framework (IPPF) was developed by the accredited entity describing the processes of developing specific indigenous peoples plan, the potential impacts of the projects, and the mitigation measures taking into consideration the indigenous system of decision-making, participation mechanisms, meaningful consultation and grievance redress. A consultation plan is integrated into the IPPF and elaborates further the process for obtaining, maintaining and operationalizing the free, prior and informed consent. Further assessments of the impacts of subprojects such as on the indigenous peoples will be undertaken, and evidence of the free, prior and informed consent shall be provided by the accredited entity.

The project recognizes the importance of secure rights in sustaining the benefits of the project. Within the project area, the majority of households have access to land and land rights. Through the technical assistance, the project will support the resolution, acknowledgment, and recognition of the communities and indigenous peoples legitimate rights to their land. Due diligence on land tenure situations, including assessment of potential conflicts over rights to lands, will be undertaken as part of the technical assistance and risk management activities of the project.

Reference: [http://www.fao.org/environmental-social-standards/disclosure-portal/en/?page=2&ipp=10&no_cache=1&tx_dynalist_pi1\[par\]=YToxOntzOjE6lkwiO3M6MToiMCI7fQ==](http://www.fao.org/environmental-social-standards/disclosure-portal/en/?page=2&ipp=10&no_cache=1&tx_dynalist_pi1[par]=YToxOntzOjE6lkwiO3M6MToiMCI7fQ==)

Annex 1

Examples of risk factors aligned to the environmental and social safeguards and policies of GCF

The list below provides some examples of environmental and social risk factors that can be used in developing a screening checklist. The risk factors are organized according to the interim ESS of GCF and consider the requirements of the interim ESS, Environmental and Social Policy, Gender Policy, and the Indigenous Peoples Policy of the GCF.

Assessment and management of environmental and social risks and impacts
Will the activities involve transboundary impacts on air, water or other natural resources?
Are the activities likely to contribute to cumulative impacts?
Will the activities involve associated facilities and third-party impacts?
Are the activities likely to induce potential social conflicts?
Do the accredited entities, executing entities and implementing agencies (grantees, sub-borrowers and proponents) have the capacity to implement the environmental and social management plans/action plans?
Labour and working conditions
Are the activities likely to affect working conditions, particularly in terms of employment, compliance with labour and other laws pertaining to non-discrimination, equal opportunity, child labour, and forced labour of direct, contracted and third-party workers?
Will the activities pose occupational health and safety risks to workers, including supply chain workers?
Resource efficiency and pollution prevention
Will the activities generate emissions; discharge pollution into water and land; generate activity-related greenhouse gas emissions; use hazardous materials; generate noise and vibration; and/or generate waste including hazardous waste?
Are the activities likely to utilize natural resources, including water and energy?
Will there be a need to develop and implement measures to reduce pollution and promote sustainable use of resources?
Community health, safety and security
Will the activities potentially generate risks and impacts on the health and safety of the affected communities, including impacts on ecosystem services affecting the local community health and safety?
Will the activities increase the risk of sexual exploitation, abuse and harassment?
Will there be a need for an emergency preparedness and response plan that also outlines how the affected communities will be assisted in emergencies?
Will there be potential risks posed by the security arrangements and potential conflicts at the project site between the workers and the affected community?
Land acquisition and involuntary resettlement
Are the activities likely involve the acquisition of lands, land rights or land-use rights through expropriation or other compulsory procedures in accordance with the legal system of the country?
Are the activities likely to alter existing land use and restrict access to natural resources resulting in loss of livelihoods and other economic activities?
Biodiversity conservation and sustainable management of living natural resources
Is the project or programme likely to be located on modified, natural and/or critical habitats or in protected or internationally recognized ecological areas?



Is the project or programme likely to introduce invasive alien species of flora and fauna, affecting the biodiversity of the area?

Is the project or programme likely to have potential impacts on biodiversity (especially critically endangered and/or endangered species, endemic or restricted-range species, and globally significant migratory or congregatory species) and ecosystem services, including production of living natural resources?

Indigenous peoples

Are the activities likely to have impacts on indigenous peoples and communities, such as impacts on lands and natural resources, land tenure and on cultural resources?

Are the activities likely to lead to physical displacement of indigenous peoples and/or restrict the access of indigenous peoples to lands and resources resulting in loss of livelihood?

Will the activities provide equitable opportunities to indigenous peoples and other vulnerable groups during stakeholder consultation and in decision-making during the preparation, implementation, monitoring and evaluation of the activities?

Will the activities need to obtain free, prior and informed consent (FPIC)? If so, has the project obtained FPIC?

Cultural heritage

Will the project or programme be located on areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic and religious values or contain features considered as critical cultural heritage?



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