



# **Draft Environmental and Social Safeguards Scoping Report**

Green Climate Fund

January 2022



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# Executive summary

## 1. Introduction

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 standards in the conduct of its operations, including with regards to environmental and social safeguards (ESS). The GCF currently applies the International Finance Corporation's Environmental and Social Performance Standards as its interim ESS. 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 23<sup>rd</sup> 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 were organised by GCF, involving a 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 a call for public inputs to the draft ESS report and the organisation of a webinar.
- **Stage 3. Final ESS draft,** will involve the finalisation of the ESS draft, building on the previous work 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

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, 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, and sexual exploitation, abuse and harassment (SEAH).
- **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 the development of the social impact assessments.
- **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 review and scoping 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 will be incorporated to form the new 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 potential need for of creating new standalone ESS standards (e.g. 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 e.g. human rights, gender, sexual orientation, gender identity, SEAH, 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 and its stakeholders, as well as for identification, assessment and management of E&S risks and co-benefits.

##### Capability

The development of the new ESS will consider any relevant capacities including, inter alia, diverse capacities of the GCF AEs, as well as increasing capacity at the GCF Secretariat.



# List of acronyms

ACRONYM	DEFINITION
AE	Accredited Entities
AF	Adaptation Fund
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
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
FPIC	Free, prior and informed consent
GBV	Gender-based violence
GCF	Green Climate Fund

<b>GEF</b>	Global Environment Facility
<b>GET</b>	Green Economy Transition
<b>GHG</b>	Greenhouse Gas
<b>GHS</b>	Globally Harmonised System
<b>GIIP</b>	Good international industry practice
<b>GIP</b>	Good Industry Practice
<b>GMOS</b>	Genetically Modified Organisms
<b>GRM</b>	Grievance Redress Mechanism
<b>IBAS</b>	Important Bird and Biodiversity Areas
<b>ICCPR</b>	International Covenant on Civil and Political Rights
<b>ICERD</b>	International Convention on the Elimination of All Forms of Racial Discrimination
<b>ICESCR</b>	International Covenant on Economic, Social and Cultural Rights
<b>IDB</b>	Inter-American Development Bank
<b>IEU</b>	Independent Evaluation Unit
<b>IFC</b>	International Finance Corporation
<b>IFC PS</b>	International Finance Corporation Performance Standards
<b>IFI</b>	International financial institutions
<b>ILO</b>	International Labour Organization
<b>IPP</b>	Indigenous Peoples Policy
<b>IPS</b>	Indigenous Peoples
<b>IRM</b>	Independent Redress Mechanism
<b>IRMF</b>	Integrated Risk Management Framework
<b>IUCN</b>	International Union for Conservation of Nature
<b>KBAS</b>	Key Biodiversity Areas
<b>KPI</b>	Key Performance Indicators
<b>LGBTQI+</b>	Lesbian, Gay, Bisexual, Transgender, Queer and Intersex
<b>LMOS</b>	Living modified organisms
<b>MDB</b>	Multilateral development banks
<b>OHS</b>	Occupational health and safety
<b>PBF</b>	Priority Biodiversity Features
<b>PPE</b>	Personal protective equipment
<b>PS</b>	Performance Standards
<b>PSG</b>	Primate Specialist Group
<b>SEAH</b>	Sexual Exploitation, Sexual Abuse and Sexual Harassment
<b>SECU</b>	Social and Environmental Compliance Unit
<b>SES</b>	Social and Environmental Standards
<b>SESA</b>	Strategic Environmental and Social Assessments
<b>SGA</b>	Section on Great Apes
<b>SSC</b>	Species Survival Commission
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>TSC</b>	Technical Screening Criteria
<b>UNDRIP</b>	United Nations Declaration on the Rights of Indigenous Peoples
<b>UNDP</b>	United Nations Development Programme
<b>UNESCO</b>	United Nations Educational Scientific and Cultural Organisation

<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>UNGP</b>	United Nations Guiding Principles on Business and Human Rights
<b>V-RAP</b>	Voluntary Resettlement Action Plan
<b>WB</b>	World Bank
<b>WBG</b>	World Bank Group
<b>WHO</b>	World Health Organization
<b>WHS</b>	World Heritage Sites

# 1 Introduction

## 1.1 Purpose of this report

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 standards in the conduct of its operations, including with regards to environmental and social safeguards (ESS). The GCF currently applies the International Finance Corporation's Environmental and Social Performance Standards as its interim ESS. 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 development process.

## 1.2 Background

The Governing Instrument for the GCF,<sup>1</sup> 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.

## 1.3 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

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<sup>1</sup> 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.

Since the interim ESS were adopted, the GCF has accredited a large number of entities and through them has supported 190 activities using the ESS as the basis for its environmental and social due diligence. As such, 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, 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 should 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.

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

The development of GCF's ESS aims to enable GCF to achieve the commitments set forth in its Revised Environmental and Social Policy as well as other relevant policies such as the Indigenous Peoples Policy<sup>2</sup>, Updated Gender Policy<sup>3</sup> and Information Disclosure Policy<sup>4</sup>, 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 23<sup>rd</sup> 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:

1. Retain the basic structure and thematic content of the interim GCF ESS;
2. 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;
3. Identify, include, and set forth as priorities those environmental and social impacts and risks that are uniquely or frequently associated with projects GCF funds.

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

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<sup>2</sup> Available at <https://www.greenclimate.fund/document/indigenous-peoples-policy>

<sup>3</sup> Available at <https://www.greenclimate.fund/document/gender-policy>

<sup>4</sup> Available at <https://www.greenclimate.fund/document/information-disclosure-policy>

## 2 The Review and Update Process

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

### 2.1 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's 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 was organised during the review and analysis phase to discuss findings from the scoping process during stage 1. This included:

- A call for public inputs to the scoping report during November 2021; and
- A virtual stakeholder consultation event to discuss the findings and approach for the development of the GCF ESS, with an opportunity for questions and comments to be made by attendees (held on 25 November 2021).

GCF invited 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.

#### 2.2 Stage 2. Initial draft of the ESS

As described in section 1.4., 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 (including, inter alia, GCF Board, the Accreditation Panel, the newly formed Indigenous Peoples Advisory Group, independent units and divisions involved in project funding and implementation at GCF's Secretariat) and participation of external stakeholders, including both public- and private-sector AEs. It will include the following:

- Virtual meetings
- A call for public inputs to the draft ESS report.
- Organisation of a webinar to discuss the draft ESS.

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

#### 2.3 Stage 3. Final ESS draft

The final stage will involve the finalisation of the draft ESS for Board consideration, building on the initial 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 draft, after which a final (post consultation) ESS report will be presented to the GCF Board for its consideration

## 3 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 outlined 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 undertaken<sup>5</sup>, 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. This comparison built on a preliminary review previously undertaken of a number of other institutions.<sup>6</sup>

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,

<sup>5</sup> The eight institutions were chosen based on geographical coverage and year of update of their ESS. They are: 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).

<sup>6</sup> Asian Development Bank (ADB), Adaptation Fund (AF), African Development Bank (AfDB), European Investment Bank (EIB), Equator Principles (EP) III, Global Environment facility (GEF), UNDP, and World Bank.



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- Inclusion of climate impact considerations in pollution prevention and management,
  - Gender based violence risk prevention,
  - Community health and safety and
  - 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 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. Some include protections for, and inclusion of LGBTQI+ persons in safeguards policies and explicitly include “sexual orientation” and “gender identity” in the indicative list of factors that can contribute to groups and individuals being disadvantaged or vulnerable.

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, and sexual exploitation, abuse and harassment.

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 some regions/countries over the last few years.

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### 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.

## 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 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), AEs and EEs can be private or public, non-governmental, sub-national, national, regional or international, as long as they meet the standards of the Fund. The ESS will apply to both public and private sector.

### 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 including the Revised Environmental and Social Policy, the Updated Gender Policy, Indigenous Peoples Policy, Information Disclosure Policy.

### 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 (through upward harmonization). 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, sexual orientation, gender identity, SEAH, 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 Revised 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 at accreditation and 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 and its stakeholders, to improve the understanding of all parties on what is expected along the project life cycle.
- Provide more detailed requirements for entities to identify, assess and manage E&S risks, impacts and co-benefits.

## Capability

The development of the new ESS will consider any relevant capacities including, inter alia, diverse capacities of the GCF AEs, and increasing capacities of the GCF Secretariat.

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## 5 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 5.1 Programme for updating the GCF ESS standards (schedule is indicative and may be subject to adjustments)**

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

